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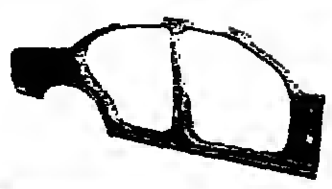

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World Business Newspaper http://www.FT.com TUESDAY APRIL 29 1997

Banks seek to cut money moved in forex deals

US bank Chase Manhattan and other leading international banks are working to create a financial derivative which they believe could sharply reduce the risk of a payments breakdown in the foreign exchange market. A foreign exchange derivative called a contract for differences would eliminate the need lor up to 95 per cent of the $2,400bn of payments which flow between banks each day to settle foreign exchange deals. Using the contract, the only money to change hands would be the difference in the relative values of the two currencies between the time of the deal and the time of settlement. Page 19

Setback for Northern League: Italy's Northern League, which advocates secession, suffered a big reverse in local elections when voters in the rich northern industrial regions of Lombardy, Piedmont and the Veneto switched to the centre-right opposition alliance headed by former prime minister Silvio Berlusconi. Page 18; Voters give hardliners ammunitions, Page 2

Socialists attack Juppé's campaign: French Socialists attacked the cost of prime minister Alain Juppé's latest social plans, while also complaining that he had stolen ideas from them for his general election campaign. Page 2; Martin Wolf, Page 16; Chrétien flings caution to the winds, Page 5

GAN looses higher than expected: State-owned French insurance group GAN reported higher than expected 1996 losses of FFr5.7bn, ($970m) after a provision of FFr13.8bn to cover exposure to property lending by its banking subsidiaries. The group said it was pursuing plans for the privatisation of its principal activities. Page 19

Spielberg runs short of soldiers

Oscar-winning director Steven Spielberg (left) may transfer part of the production of his film, *Saving Private Ryan*, from England to the Irish Republic because of a shortage of extras. DreamWorks, the US entertainment group co-founded by Mr Spielberg, wanted to use 1,000 soldiers or Territorial Army volunteers to re-enact the D-Day landings, but the British army said it did not have enough troops available. Page 8

Stolen Citibank bonds surface: Multi-million dollar Citibank bonds stolen in the US 10 years ago surfaced in London when two innocent parties attempted to present them as security. The bonds are part of a cache with a face value of $112bn (£69bn) taken from a New Jersey wastepaper recycling company.

Nissan Mutual to be probed: Japan's Ministry of Finance launched an investigation into insurance company Nissan Mutual Life, the first life insurance company to fail in Japan since the second world war. Page 6

Yeltsin orders sweeping reforms: Russian president Boris Yeltsin signed sweeping decrees to restructure the country's "natural monopolies" and overhaul its inefficient municipal services. Page 2

Boost for online shopping: Japanese electronics manufacturers Fujitsu, Hitachi and NEC, are setting up a joint venture company that could advance the market for online shopping in Japan by providing a widespread means of certifying the identity of shoppers. Page 19

India's new government faces crisis: India's week-old United Front government faces its first political crisis as police announced plans to bring corruption charges against one of the coalition's senior powerbrokers, Laloo Prasad Yadav, chief minister of Bihar. Page 18

Repsol tranche increased: Big demand from small investors for shares in Spanish oil, gas and chemicals group Repsol in the last stage of its privatisation, forced the government to raise the retail tranche by 20 per cent. Page 19

Demon Internet offers stake: Demon Internet, the UK's leading independent Internet service provider, with 102,000 subscribers, is offering to sell a stake of up to 49 per cent in exchange for new investment. Page 19

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STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	6769.38	(+30.51)
NASDAQ Composite	1217.40	(+8.11)
Europe and Far East		
CAC40	2550.25	(+13.99)
DAX	3363.06	(-14.21)
FTSE 100	4389.7	(+20.0)
Nikkei	18670.37	(+57.51)

US LUNCHTIME RATES

Federal Funds	5½%
3-mth Treas Bills: Yld	5.319%
Long Bond	93½
Yield	7.135%

OTHER RATES

UK: 3-mo Interbank	6⅜%	(same)
UK: 10 yr Gilt	97¼	(96⅞)
France: 10 yr OAT	97.56	(97.67)
Germany: 10 yr Bund	100.43	(100.52)
Japan: 10 yr JGB	104.9635	(105.1835)

NORTH SEA OIL (Argus)

Brent Dated	$17.93	(18.11)

GOLD

New York: Comex		
Apr	$339.9	(342.4)
London:		
close	$341.15	(342.45)

DOLLAR

New York: lunchtime		
£	1.6255	
DM	1.7305	
FFr	5.8335	
SFr	1.4705	
Y	126.755	
London:		
£	1.6234	(1.6231)
DM	1.7273	(1.7235)
FFr	5.8249	(5.82)
SFr	1.4699	(1.4676)
Y	126.575	(126.08)
Tokyo close:	Y 126.9	

STERLING

DM	2.804	(2.7974)

9 770174 736128

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Dollar rises despite G7 warning

Markets believe ministers lack will to intervene

By Simon Kuper in London and Gerard Baker in Washington

US Federal Reserve chairman Alan Greenspan (left) and Bank of England governor Eddie George in Washington yesterday Reuter

The dollar pushed higher yesterday as traders decided that the Group of Seven industrialised nations lacked the will and the power to reverse the US currency's rise.

Strategists pointed out that Sunday's G7 statement on exchange rates made no threat of intervention in the market.

The dollar closed in London half a pfennig and half a yen above Friday's closing levels, at DM1.728 to the German currency and Y126.6 to the yen.

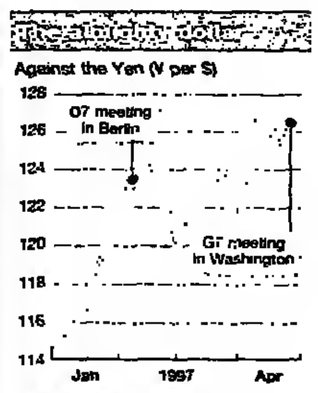
Analysts forecast that US economic data due out this week would be positive, spurring the dollar higher. The most closely watched figures will be the non-farm payrolls and the average hourly earnings data, due on Friday, as well as today's employment cost index and tomorrow's first-quarter gross domestic product figure. Strong results would fuel the market's belief that the Federal Reserve will raise US interest rates after its Open Market committee meeting on May 20.

The G7 issued a statement after its Washington summit last weekend that was apparently intended to stem the rise of the dollar. The US currency has jumped more than 50 per cent against the yen and almost 25 per cent against the D-Mark in the last two years.

On exchange rates, the G7 said "excess volatility and significant deviations from fundamentals are undesirable". Crucially, however, it made no threat to intervene by selling dollars if necessary.

The Washington statement barely differed from that issued after the last G7 summit in Berlin in February. That communiqué had also failed to halt appreciation of the dollar. The only new element in the Washington statement was a mention of "the importance of avoiding exchange rates that could lead to the reemergence of large external imbalances". Economists took this as a reference to the growing US trade deficit with Japan.

Mr Paul Chertkow, head of global currency research at UBS in London, said the G7's statement was "less aggressive than the market had envisaged". Mr Michael Burke.



Source: Datastream

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Murdoch clash with EchoStar threatens TV plans

By Christopher Parkes in Los Angeles

Mr Rupert Murdoch's daring plan to jump into a leading position in the US satellite television market has run into trouble after a clash with his prospective partner, EchoStar.

Applications for regulatory approval of News Corporation's planned $1bn investment in a 50 per cent stake in the established operator have been delayed, EchoStar said yesterday.

The Colorado-based company, which has about 450,000 subscribers, said it was hopeful News Corp would honour its obligations. However, no new timetable for regulatory filings had been set, and "there can be no assurance that News Corp will proceed with an investment in EchoStar", it added.

The companies have clashed over News Corp's insistence that EchoStar abandon its own smart-card and set-top box system, which allows viewers access to pay-per-view programmes, before it goes ahead with its investment.

Failure to proceed with the partnership could throw the plans into turmoil and leave EchoStar once again looking for a rich partner to fund its expansion.

The planned link, which shook the fast-growing US satellite TV industry when it was announced in February, would have given the Murdoch-controlled media group the ability to broadcast almost immediately.

Before that, although it was building its ground station in Arizona and preparing for satellite launches, News Corp was not expected to go live before next year.

The most immediate effect of yesterday's events will be to delay indefinitely implementation of a key clause, due to become effective on May 1, which gives News Corp the right to buy $200m-worth of EchoStar stock and EchoStar the right to borrow cash

Continued on Page 18

Steel prices equalise across Europe

By Stefan Wagstyl, Industrial Editor

For the first time since the Second World War the price of sheet steel, a staple industrial raw material, is virtually the same in eastern and western Europe.

The price convergence owes something to recent short-term swings in supply and demand within the two regions, but it also reflects the long-term economic transformation of eastern Europe.

Mills there – which under Communism sold metal with little regard for costs or prices – are now as concerned about profit margins as their western rivals.

One example is hot-rolled coil. This coiled steel sheet – used for car bodies, machinery housing and electrical appliances - now costs about DM530 ($300) a tonne in the EU and in Poland, the Czech Republic and Hungary.

Two years ago, hot-rolled coil was about DM200 cheaper in eastern Europe than the west.

"The price differential has been eroded and I think this is quite important," said Mr Peter Fish, managing director of Meps (Europe), a Sheffield-based consultancy.

He forecasts that future east European prices will be governed by those in the EU.

Steel sheet prices have been rising in eastern Europe since the region's economies started recovering from recession in the early 1990s.

The increases were fuelled by strong local demand and by the mills' efforts to raise prices to profitable levels. However, the scale of these increases was masked in 1994 and 1995 by a strong cyclical upswing in EU steel prices, powered by economic recovery.

But since early last year EU steel prices have dropped sharply, due mainly to a severe economic slowdown in Germany.

Meanwhile, east European prices have remained buoyant, notably in Poland where economic growth has stayed strong.

The price changes have affected trade.

Eastern Europe's steel exports grew rapidly in the early 1990s to a peak of 6.05m tonnes in 1995, prompting complaints about dumping from western producers. But last

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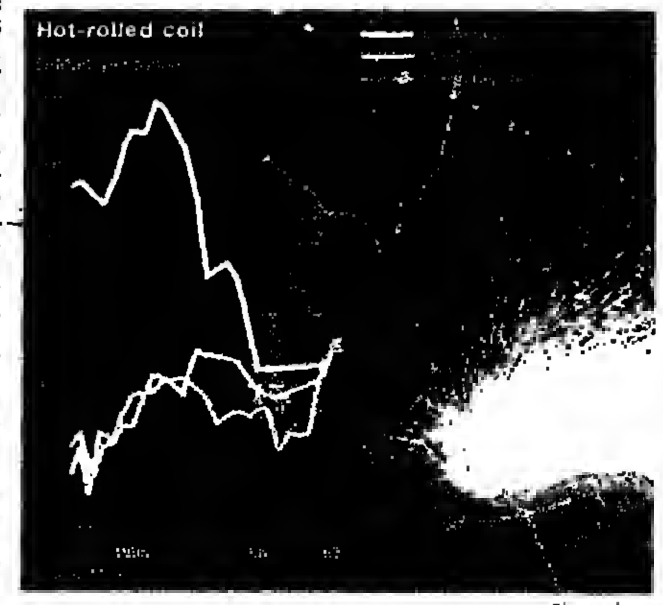

SA group leads bid for Brazil ore stake

By Geoff Dyer in São Paulo

A consortium including Anglo American, the South African mining group, is the favourite to buy a controlling stake in Companhia Vale do Rio Doce (CVRD), the world's largest iron ore producer, at an auction launching Latin America's biggest ever privatisation scheduled for today.

However, in spite of assurances from President Fernando Henrique Cardoso of Brazil, it was still not certain yesterday that the auction would go ahead as planned, because of more than 100 legal actions taken out against the privatisation.

The National Development Bank (BNDES), which oversees privatisations, was trying yesterday to overturn an injunction awarded by a São Paulo judge on Friday suspending the auction on the grounds of irregularities in the tender documents.

The Brazilian government plans to sell a 40–45 per cent stake of voting shares in CVRD at an auction at the Rio stock exchange for a minimum price of R$3.3bn ($3.1bn).

A successful sale of CVRD would provide a huge boost to Brazil's ambitious privatisation programme which also includes large parts of the telecoms and electric energy industries, ports and railways.

Analysts believe the Valecon consortium, which is joint-led by Anglo American and Grupo Votorantim, the largest family-owned group in Brazil, will be willing to pay more than the other consortium, led by Companhia Siderurgica Nacional, Brazil's largest steelmaker, because of its strong mining interests.

"The potential synergies between Valecon and CVRD are much greater than those with CSN," said Mr Raphael Biderman, analyst at Robert Fleming in São Paulo. However, Ms Isabela Saboya, analyst at Banco Icatu in Rio de Janeiro, cautioned: "It is an auction, so anything could happen." Valecon's other members are Caemi, a Brazilian mining company, two Brazilian pension funds and a group of 11 Japanese steel and trading companies headed by Nippon Steel.

The members of the CSN-led consortium are Suzano, a Brazilian paper and pulp company, Opportunity Asset Management, an investment fund, four Brazilian pension funds and NationsBank of the US.

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Russia moves to overhaul monopolies

By John Thornhill in Moscow

President Boris Yeltsin yesterday signed a sheaf of sweeping decrees to restructure Russia's "natural monopolies" and overhaul its inefficient municipal services.

This new burst of economic reform, the most radical since 1992-1993, aims to inject greater competition in important industries, strengthen public finances and spark growth in an economy which has been dogged by recession since the beginning of the decade.

Mr Boris Nemtsov, first deputy prime minister, is spearheading the reform drive. He said the measures would also help the government pay off wages owed to federal employees and attract new investment to upgrade the country's run-down infrastructure.

Outlining plans to reform the natural monopolies, Mr Nemtsov vowed to create a competitive wholesale market for electricity leading to reduced tariffs by the year-end.

The government would keep control of a 51 per cent share of UES, the big electricity utility, and retain an integrated power grid, he said. But it would seek an additional $8bn from outside investors to build new power transmission lines.

Mr Nemtsov said the government would also exercise stronger control over the railway network and Gazprom, the giant gas monopoly in which the state retains a 40 per cent stake. But he said the government would not break up the company as hed previously been mooted.

"Wa must retain the single system of gas supply in Russia, we must strengthen the positions of Gazprom in foreign markets, we must facilitate the growth of the price of Gazprom shares. The richer Gazprom is, the richer Russia is," he said.

However, Mr Nemtsov said competitive tenders would be held for new gas deposits, and wider access would be granted to the pipeline network. Government officials will visit Gazprom's headquarters on May 16 to discuss how to implement the industry restructuring.

In an apparent departure from its monopolies policy, the government announced plans yesterday to turn the Svyazinvest telecommunications holding company into the dominant carrier of international and long-distance telephone traffic.

"On the one hand, the government is trying to beat up the gas, electricity and railway industries but on the other, is trying to create a new national telecoms monopoly," said one western banker in Moscow, speculating the government was not strong enough to tackle every entrenched interest simultaneously.

Mr Nemtsov said the government would sell 25 per cent of Svyazinvest's shares to Russian or foreign investors for at least $1.2bn and subsequently sell a further 24 per cent to Russian investors. But the terms of the tender suggest well-connected Russian banks are likely to win control of the company.

The other main thrust of economic reform will be aimed at slashing housing and utility subsidies, which are a drain on federal and local treasuries.

Mr Vyacheslav Basin, chairman of the federal housing policy committee, said local government was wasting billions a year subsiding inefficient municipal services.

The government would now encourage greater competition in municipal services, introduce energy-saving technology and phase out housing subsidies for the rich.

Socialists attack Juppé social plans

By David Buchan in Paris

French Socialists yesterday attacked the cost of Mr Alain Juppé's latest social plans, while also complaining the prime minister had stolen some ideas – like adjusting working time to create more jobs – from them.

This inversion of the usual stances taken by the centre-right government and left-wing opposition indicated that, at the start of its second week, the campaign between the mainstream parties is already developing into a battle for the centre of French politics.

In a television interview, Mr Juppé pledged action on several social priorities. However, he still forecast that, if returned to power, the centre-right would increase general spending by "a little less than inflation", thus cutting it slightly in real terms, for the next five years.

The prime minister's promises to extend health insurance, give more aid to farmers and re-introduce a bill to help the very poor would cost FFr25bn ($4bn) extra, said Mr Dominique Strass-Kahn, a former Socialist minister yesterday. Given his pledge to keep the lid on spending, Mr Juppé "will have to cut elsewhere" Mr Strauss-Kahn forecast. Other Socialists accused Mr Juppé of deliberating distorting figures to show that unemployment and taxes had only risen marginally during the past four years of centre-right rule.

However, Ms Dominique Voynet, leader of the Greens, who have allied themselves to the Socialists, reacted positively yesterday to Mr Juppé's promise to create an independent committee on "environmental ethics" to consider such issues as the restarting of the Superphenix nuclear reactor near Lyon. Superphenix, abandoned as a breeder reactor but maintained for research, is a big issue for the Greens. "If election time makes Alain Juppé reconsider, then I rejoice," said Ms Voynet yesterday.

Today the coalition of the Gaullist RPR and centre-right UDF will issue their manifesto, while Mr Lionel Jospin, Socialist leader, will hold an election strategy session with Mr Robert Hue, Communists general secretary. Mr Jospin explained his aim was to agree on as many election issues as possible with Mr Hue, but not to try to hammer out a programme for governing together with the Communists.

Socialists in France and Germany have been discussing their approach to economic and monetary union, the Socialist spokesman in Paris said yesterday. He claimed the German SPD had initially favoured postponing Emu beyond 1999, but had come round to the French Socialist view that the conditions for the single currency should be softened to allow it to start on time. But Mr Francois Hollande, the party spokesman, admitted the discussions were e bit "unreal" because neither party was in power.

France and Emu, Page 16

Socialist leader Lionel Jospin (right) on the campaign trail in Blois where he discussed new plans for the town and met the mayor, Jack Lang, former Socialist minister (left) Reuters

Italian voters give hardliners ammunition

By Robert Graham in Rome

The centre-left government's difficult task of negotiating a satisfactory reform of Italy's pensions and welfare system has been complicated by Sunday's local elections which involved almost one-fifth of the electorate.

The hardliners in Reconstructed Communism (RC), headed by Mr Fausto Bertinotti, are determined to limit the scope of any shake-up in the generous pensions system. It is they who have emerged from the elections with their bargaining power enhanced. The RC's performance has underlined that the government of Mr Romano Prodi, the prime minister, can only survive with its support and this means moving away from the centre to the left on a range of issues, not just pensions.

Mr Bertinotti has consistently refused to give a blanket endorsement to the government since it took office last May. Instead he has conditioned the vital votes of his 35 deputies almost on a case-by-case basis.

RC chose to stand alone in Sunday's first round of voting in many of the towns and cities to demonstrate that its votes were indispensable to the Olive Tree coalition – most notably in the flagship cities of Milan and Turin.

Under the local election voting system, unless a coalition and its candidate for mayor obtains an absolute majority on the first round, there is a run-off. The system enables parties to test their strength without necessarily prejudicing the outcome in the run-off.

In Milan and Turin the impact of the RC fighting alone was clear. Without RC, the Olive Tree coalition could muster 27 per cent of the vote in Milan and 35 per cent in Turin. If RC's almost 9 per cent were added, this would be enough to overtake the rightwing alliance in Turin and to be just behind in Milan.

In contrast, in cities such as Ravenna and Siena where RC decided to back the Olive Tree alliance, there was an absolute majority. The message from Mr Bertinotti is that, without RC, the Olive Tree has no chance in the run-off on May 11. This puts Mr Massimo D'Alema, leader of the Party of the Democratic Left (PDS) which is the dominant coalition partner, in an awkward position.

Over the past year he has been trying to broaden the appeal of the PDS by moving into the centre and making it a real social democrat party. But he risks formalising the existence of two mutually antagonistic "lefts" – the PDS and the RC. The strengthening of RC is all the more problematical as he is trying to pilot the parliamentary commission charged with drawing up proposals for constitutional reform by the end of June. He can only achieve this through a broad deal with the opposition headed by Mr Silvio Berlusconi, former premier, and Mr Bertinotti is opposed to such a deal.

Mr Bertinotti nearly brought down the government earlier this month by refusing to back the policy of sending troops to Albania. The government survived by relying on the votes of the rightwing opposition. All parties recognised this experience was difficult to repeat without formally seeking a new parliamentary majority which almost certainly would lead to formation of a new government.

Yesterday Mr Bertinotti called for a clear pact with the government on a policy platform. This was a none too subtle way of indicating the government had to move closer to RC's minimalist view of pension reform and its scepticism of the rush to join the single European currency. Mr Prodi is committed to joining the euro in the first wave of countries, but for his survival he has to rely on Mr Bertinotti.

The elections and the horse-trading to forge alliances for the run-off therefore increase the likelihood of an impending government showdown.

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Bruton to break with past as Ireland awaits election call

John Murray Brown on a 'choose-your-government' approach

The campaign literature is published, the advertising space booked and deputies are already working the doorsteps. No election has yet been called; but no one in Ireland doubts it will be soon.

Mr John Bruton, the prime minister, could wait until January but he is juggling three possible dates before parliament's summer recess and the start of the school holidays – May 23, May 29 and June 6. Under the constitution, he has to allow between three and four weeks for the campaign between dissolving the Dail and election day.

When he does decide, it will be the first time in more than 20 years that the country is offered the choice of two potential governments – the current Fine Gael-led coalition of Mr Bruton or a repeat of the 1989-92 Fianna Fail cohabitation with the right-of-centre Progressive Democrats.

In the past, contests have had a tendency to rest on whether voters were for or against Fianna Fail, the country's largest party – reflecting the sterile divisions of Ireland's party politics since partition in 1922.

But Mr Bruton is breaking with tradition, indicating he will fight on a joint platform with his coalition partners – Mr Dick Spring's Labour party and the Democratic Left of Mr Proinsias de Rossa.

It is a high risk strategy, given policy differences between the conservative, rural-based Fine Gael and its leftwing partners. Analysts also point out that no incumbent Fine Gael-led government has ever been returned for a second term. Equally, Fianna Fail has never had to spend more than one term in opposition.

Tight race: John Bruton and Bertie Ahern

Polls suggest it will be a tight race, with the populist Fianna Fail, led by Mr Bertie Ahern with Ms Mary Harney's Progressive Democrats (PDs) predicted to win. However, that supposition is based on how voters would use their first preferences under Ireland's multi-seat constituency, single-transferable vote system.

At the last election in 1992, only 20 per cent of the 166 deputies in the Irish parliament or Dail were returned as a result of first preferences.

In theory, Ireland's system allows voters to express a preference for a coalition by naming as their second preference a possible partner for their first-preference party. But results are difficult to forecast, particularly as the main parties' traditional links with their rural base are breaking down as people leave the countryside.

To be certain of s majority this time, Fine Gael would need to secure significant numbers of second or third preferences from the other two parties, as they would from Fine Gael.

According to e recent poll in the Dublin area, which accounts for a third of the electorate, more than 25 per cent were undecided. More strikingly, only 40 per cent of first-time voters said they would vote, underlining a growing disaffection with national politics.

The coalition's chances of forming the next government will turn on Labour's performance. If current polls are anything to go by, Labour is set to lose up to a third of its 32 seats – mostly to Fianna Fail. But party officials believe such predictions are over-gloomy and point out that 22 of Labour's seats last time were won on first preference votes.

The government will doubtless make much of the economic "feel good factor". By calling the election now, Mr Bruton hopes some of the residual glow from last year's successful handling of the EU presidency may rub off on the coalition. He is also expected to exploit any embarrassment arising from the current tribunal hearing into political donations – in which Mr Charles Haughey, Fianna Fail's former leader, is eccused of receiving I£1.3m ($2m) from the owner of e local supermarket chain while he was prime minister in the late 1980s.

Bnt with Europe and Northern Ireland well down the agenda, the main contest is likely to be fought over local issues.

In the next few days, the Dail is expected to pass legislation on local government finance – a direct response to calls from farming communities for rural water rates to be abolished.

A unashamedly populist measure, the coalition believes it can use the water issne to exploit divisions between Fianna Fail and the more market-oriented PDs, who have called for water charges to remain.

The government is also hoping it has a vote winner in its recent licensing of rural television transmitters, which pick up British television signals and redirect them to homes in the west of Ireland. This has angered Dublin-based cable companies awarded franchises to operate in the area.

Clearly with so little between the parties in the polls and so many floating voters, the conduct of the campaign will be critical. Independents are also expected to pose a significant challenge to the main parties. If there is one fairly safe prediction it is that the Greens and other independents will increase their representation from six seats.

As Mr P. J. Mara, chief election strategist for Fianna Fail explains: "I keep telling our party officers to remember we're fighting 41 separate elections this time, one in each constituency."

Romanian ruling on licences

By Anatol Lieven in Budapest

A Romanian court has suspended the Central Bank's cancellation last week of the licences of two private banks. The court said it would give rulings on whether the banks were to be liquidated or restructured later this month.

The move is e blow to the government's plans to clean up the troubled banking sector. The banks, Dacia Felix and Credit Bank, used to be among the largest private banks, but have conducted no operations since July, when the then government withdrew support.

The decision, by a court in Romania's second city, Cluj, where Dacia Felix is based, is seen by western analysts as another argument for a new and comprehensive banking law removing the confusion about the powers of the Central Bank and clearing up bankruptcy procedures.

The issue has been before the courts for almost nine months. There have been reports of international and domestic rescuers, but these have been mostly little-known companies and thought to have lacked the funds to mount e rescue.

Dacia Felix is reported to have had debts of some $200m and in 1995 suffered an operating loss of 642bn lei ($93m).

Announcing the cancellation of the licences, the Central Bank said the two banks had failed to produce credible restructuring plans and could not be relied on to fulfil normal banking functions.

The state banking system, as well as the embryonic private one, have been deeply enmeshed in politics. The new government alleges that the troubles of the state banks, which still hold more than three quarters of banking assets, are partly due to their exploitation by the last administration for soft loans in the run-up to November's elections.

The state agricultural bank, Bank Agricola, is reported to have issued at least 1.8bn lei in new loans to state agricultural companies whose chances of repaying them seem dubious.

Earlier this month parliament passed a law for the privatisation of state banks which had been twice rejected by the previous parliament. However, potential buyers are expected to take a close look et the books.

Mr Sever Muresan, former vice-president and chief shareholder of Dacia Felix, is under arrest for allegedly embezzling around $160m.

EUROPEAN NEWS DIGEST

Dutch want focus on jobs

The Dutch presidency of the European Union yesterday expressed the hope that the need to tackle unemployment would be reflected in the revision of the Maastricht treaty due to be agreed at the Amsterdam summit in June.

Mr Hans van Mierlo, the Dutch foreign minister, said after a meeting in Hamburg yesterday with Mr Klaus Kinkel, his German counterpart, that he detected a growing consensus in favour of an employment paragraph in the inter-governmental conference to update the treaty. However, he said, it remained unclear how effective such a paragraph could be because he expected the text would have to please both supporters of a more active EU approach to Europe's problem of high unemployment and countries which have been strongly opposed.

He expressed doubts whether conditions would improve after the widely expected victory of the opposition Labour party in Thursday's UK general election.

Yesterday's talks underlined the unity of Germany and the Netherlands in their enthusiasm for greater integration of the EU. Mr Kinkel stressed the importance of a successful summit in Amsterdam as a prelude to opening negotiations at the end of this year on expanding the Union. *Peter Norman, Hamburg*

Work pact agreed in Spain

Leaders of Spain's main unions and employers' organisations yesterday put their formal signatures to a wide-ranging "job stability agreement", the most significant accord reached between them for more than a decade. They called on the centre-right government to use to push legal changes rapidly through parliament so that the new rules could take effect.

The signatories had to avoid demonstrators from minority unions protesting against the pact, agreed earlier this month after tough negotiations between the General Workers Union, Workers' Commissions, the Spanish Confederation of Business Organisations and the Spanish Confederation of Small and Medium-Sized Companies.

The main innovation is a new kind of work contract aimed at increasing the number of stable jobs and limiting the maximum compensation which employees may seek when they are made redundant. The agreement is aimed at overcoming companies' reluctance to engage permanent staff, and reducing the official jobless rate of almost 22 per cent, easily the highest in the European Union. *David White, Madrid*

Iberia under investigation

Spanish competition authorities yesterday began an investigation into allegations of price-fixing on domestic routes by Iberia, the state-owned airline, and its two leading private-sector competitors.

The move came in response to complaints from e consumers' association and regional authorities in the Canary and Balearic Islands after all three companies announced fare increases of at least 10 per cent on almost all their Spanish services and the dropping of some promotional fares.

The increases brought an end to e price war waged since last year between Iberia, the privately owned Air Europa, and Spanair, a joint venture in which SAS is a partner. The two private sector companies, initially founded as charter airlines, have been competing in regular scheduled services since the Spanish market was deregulated in 1993.

The economy ministry'e competition unit said the companies were suspected of agreeing to raise fares simultaneously and to bring them into line with each other. *David White*

Karabakh talks get nowhere

The leaders of Armenia and Azerbaijan held peace talks in Istanbul yesterday but failed to make any progress in ending 10 years of fighting over the region of Nagorno-Karabakh. The mountainous enclave is legally part of Azerbaijan but its majority Armenian population has seized control there. Fighting flared up again last week between Azeri troops and rebel Armenian forces. The clashes are the worst since a 1994 ceasefire.

Turkey, which has backed Azerbaijan by blockading Armenia, sponsored the talks between Armenia's President Levon Ter-Petrosyan and Mr Haydar Aliyev, the Azeri leader. Although neither made any statement after the meeting, the Azeri consul in Istanbul, Mr Abbas Hacaloğlu, said: "There has not been a change in the views concerning the solution of the problem."

Mr Hacaloğlu said his government wanted a peaceful solution: "We are ready to give the largest possible autonomy to Nagorno-Karabakh." But he warned: "We are determined not to leave Karabakh under Armenian occupation. If necessary, we will fight to the last Azeri to free our land from occupation." *John Barham, Ankara*

More 'haves' in Hamburg

Hamburg and Brussels boast the highest percentage of Europe's "haves"; France's overseas departments and Spain's Extremadura region have a greater quotient of "have-nots". Those are the findings of a survey published yesterday by the European Union's statistical body, Eurostat, which ranked the most and least prosperous regions of the EU in terms of the incomes of its citizens.

According to Eurostat, average income across the EU is around $18,300. On average, people living in Hamburg and Brussels earned about twice that. Average income in the US is around $21,750, while the figure for Japan is $31,640, according to Eurostat.

On tha national level, Luxembourg has the EU's the highest average income ($33,490) while Portugal ($7,945) has the lowest. *AP, Brussels*

Soccer club chief arrested

Italian police said yesterday they had arrested the chairman of the first division soccer club Vicenza and his predecessor on suspicion of bankruptcy fraud. A finance police statement said Mr Gianni Sacchetto and Mr Pieraldo Dalle Carbonare, whose family owned the club until last September, were among six people arrested on Sunday. Four people, including Mr Sacchetto, Mr Dalle Carbonare and his brother Sebastiano, were being held in jail in Milan. Two others were under house arrest.

The detentions followed three months of investigations linked to the collapse in June 1995 of Trevitex, a financial holding company controlled by the Dalle Carbonare family. The police statement said all six men were suspected of conspiring fraudulently to disperse the assets of Trevitex through front companies, including one allegedly used by Mr Sacchetto to buy a 99.9 percent stake in the Vicenza club.

The statement said investigators believed the company was owned by the Dalle Carbonare family "which pretended to cede control of Vicenza to prevent the club being included in assets subject to receivership procedures". *Reuter, Rome*

IMF backs Russia's reforms

Mr Anatoly Chubais, Russia's reformist first deputy prime minister, has won strong backing from the International Monetary Fund and World Bank for the government's latest reform drive.

After meetings with finance ministers from the Group of Seven countries in Washington at the weekend, Mr Chubais said Russia would join the Paris Club of creditor nations this year and be admitted to the World Trade Organisation by the end of 1998. *John Thornhill, Moscow*

NEWS: INTERNATIONAL

Global watchdogs urged to bark with one voice

By Robert Chote in London and Gerard Baker in Washington

International efforts to promote financial stability in emerging market economies are being threateoed by possible turf wars among international institutions and regulators.

Finance ministers and central bank governors from the Group of Ten leading industrial countries yesterday endorsed a report that defines the respective roles of various international institutions and urges them not to trespass on each other's territory.

The study concluded that guidelines to promote financial stability should be drawn up and promoted by the International Accounting Standards Committee, tha G10 Committee on Payment and Settlement Systems, the Basle Committee on Banking Supervision, tha International Organisation of Securities Commissions and the International Association of Insurance Supervisors.

The study – by a committee of representatives from industrial countries, emerging markets and international institutions – noted that no organisations were yet devaloping norms for loan classification, asset valuation and provisioning, the design and use of daposit insurance or good corporate governance.

"Consideration needs to be given to whether there is a need to develop an international consensus in these and other areas and how it should be done," it said.

The committee urged the International Monetary Fund to check whether countries were living up to the principles developed by the international groupings. But the IMF was warned not to overstep the mark and draw up its own rules: "In particular, in areas where core principles and norms have been daveloped, such as bank supervision, securities market oversight and accounting, the internal guidelines of these multilateral institutions sbould incorporate these norms as they stand."

Officials said this wording took account of the desire among some ataff at the IMF, when the initiative was getting under way, to draw up banking rules themaelves. They said the Basle Committee had been conspicuously slow off the mark to play its part.

The study argues thet the World Bank and the regional development banks will normally be the best institutions to offer advice and finance reforms to tha financial system. But the committee was also concerned that the financial sector conditions laid down in Bank and IMF programmes were occasionally inconsistent and counterproductive.

"The co-ordination between the IMF and World Bank should take place at all levels, and extend to regular and fraqnant contact between financial sector and country experts in both institutions and be based on clear and efficient procedures for co-ordinating operations and establishing priorities jointly for country operations," it says.

Government repreaantatives were unimpressed by early proposals to improve co-ordination drawn up by IMF and World Bank staff. "The IMF and World Bank should taka further steps to define their respective roles and means of co-ordination, both between themselves and with other international organisations," the committee report concludes.

US officials pronounced themselves pleased with the progress towards consensus.

They said the decision to involve the various international financial institutions and regulators had encouraged a healthy degree of competition among them, a factor that had added greater urgency to the deliberations.

The US hopes tha IMF and World Bank would be able to move to approval of the principles ontlined in the report by the autumn.

Despite despatch of a special UN envoy the Sahrawis may have to give up independence hopes

Deserted in the 'desert of deserts'

Sahrawis wait in a sandstorm for the visit by James Baker, their dream of nationhood vanishing into the sand Reuter

For a brief moment last weekend, in the sprawling camps of the Algerian desert where they have lived for 21 years, refugees from neighbouring Western Sahara believed the world had finally remembered them.

Wrapped in brightly coloured shawls amid a blinding sandstorm, the women's voices rose in ululation. Children, thousands of them, in rags and barefoot, raised drawings of doves to symbolise peace, while men in fading army uniforms stood sternly, desperately trying to pretend that they could still fight tbeir arch-enemy Morocco for their cberished Sahara.

Few younger men were to be seen. They are sent to the front as soon as tbey reacb 18, to train for the expected collapse of tbe United Nations-sponsored ceasefire of 1991.

In tbe sweltering beat, fighting the wind of sand, a band of old men in long-sleeved red jackets played the national anthem of the Sahrawi republic, the dream of a state the Sahrawis have harboured since the 1970s.

It is with overwbelming bope tbat these Sahrawis, cut off from civilisation for decades, welcomed Mr James Baker, the former US secretary of state. Sent as a special envoy by the UN secretary general to try to salvage the faltering UN plan for a referendum to cboose between independence and integration with Morocco, Mr Baker ended his fact-finding mission on Sunday in the refugee camps.

"Very tough, although not bopeless," is how he characterised the dispute between Morocco and the Polisario Front, which bas led the fight for Sahrawi Independence since Spain withdrew from the Sahara in 1976. Morocco, which claims the Sahara as part of its territory, controls most of the land.

Althougb Mr Baker may ask the UN to give its mission one more chance, it is clear be is looking for a quick deal and has little intention of spending years shuttling between Rabat, the Polisario camps, and Algiers, their main backer.

Such a deal means putting diplomatic pressure on all fronts to reach a settlement short of independence, since Morocco, a cherished western ally, will never give up the Sahara.

This reality appears to be sinking in with Polisario leaders. But the people, fed endless promises of nationhood, find it intolerable. To them, Mr Baker is their American saviour.

The 150,000 Sahrawis of the camps live in a remote desert world. Twenty years on, socialist-style organisation bas produced an impressive Polisario military bureaucracy which enables the tribal population to survive, by paying particular attention to education and health.

But tbe Polisario bas focused development of body and mind almost obsessively on the struggle for independence and has crusbed all opposition to its leadership. The camp hospitals are rudimentary but clean, the tents orderly, but tbere are few signs of economic life and of anything lasting – not even a mosque.

The Sahrawis live off aid of about $10m a year. Most men are soldiers or bureaucrats. The women bear many children to keep the tribes growing and work without pay. Most have not seen a currency for years; many young Sahrawis may not even know that such a thing exists.

The young Sahrawia gather around foreigners with a sad but playful look, not to beg, but to tonch their skin and feel the fabric of their clothes. In one part of the camp, the women, heads hurled over sewing machines, are hard at work, producing national flags. Young artists nearby paint pictures of torture and deliverance, listening to Egyptian music on an antiquated radio, their only link to the outside world.

Tbe Sahrawis call the barsh area where they live "the desert of the desert". Not much will grow there, despite attempts to cultivate onions and carrots. Nor does Algeria want to see the Sahrawis forever settle on its land. But the Polisario leaders also make no secret of the need to maintain the Sahrawis' life in a constantly temporary state. "Settlement is the most dangerous thing, it makes us forget the struggle," said Mr Beshraya Bayoune, the "economy minister".

The Sahrawis believe that, after 20 years, they can last as refugees for decades more. "We either get the Sahara or we will die here," said a tribal chief. But ordinary Sahrawis may not know that tbe water they use is increasingly contaminated and the aid is shrinking in the face of a population growth of 3 per cent to 5 per cent.

The Polisario's military gear is old. The soldiers have not fought for years, and are no match to Morocco's army. There are few countries the Sahrawis can count as friends. Algiers, Rabat's regional rival, has stood by them. But in the past five years it has been fighting its own war against Islamic militants and is now looking to break its international isolation.

To the leaders' disappointment, Mr Baker spent just a few hours in the Polisario camps, after two days in Rabat and almost another two in Algiers, in addition to a stop in Nouakcbott in Mauritania. "No one will ever decide our fate," insist the Sahrawis. But in one of the signs they put up for Mr Baker lies a reality they cannot escape: "Mr Baker, remember," it read, "big fish against small fish".

Roula Khalaf, Tindouf, south-west Algeria

INTERNATIONAL NEWS DIGEST

Ship stands by for Zaire talks

President Nelson Mandela has despatched a South African naval vessel to waters off Zaire as a possible venue for ceasefire talks between President Mohutu Sese Seko and rebel leader Laurent Kabila. African diplomats last night said Mr Mobntu had agreed to attend, and they were awaiting a response from Mr Kabila.

The venue would overcome Mr Mohutu's reluctance to undertake a long journey given his poor health.

The news came as Mr Bill Richardson, Washington's ambassador to the UN, arrived in Kinshasa with a personal message from President Bill Clinton to Mr Mobutu. "The US believes there can be no military solution to the crisis, hut rather a negotiated settlement leading to an inclusive transitional government and fair and free elections," Mr Richardson said.

He said he would meet Mr Mobutu this morning and then travel to Lubumbashi, in rebel-held territory, tomorrow to see Mr Kabila. *Michael Holman, London*

Rwandan refugees found

Aid workers have found thousands of Rwandan refugees south of the Zairean city of Kisangani, the largest numbers seen since the refugees fled into the jungle last week.

"It seems we are talking abont 6,000 or 7,000 people but more are emerging from the forest. This is very good news," an official for the UN World Food Programme said in Nairobi.

But aid officials said that it was virtually impossible to meet a rebel demand to repatriate all Rwandan refugees within 60 days. About 400,000 refugees remain unaccounted for in Zaire since fleeing at the start of civil war in October. *Reuter, Noirobi*

Russian delay on treaty

The Chemical Weapons Convention, which comes into force today, has been ratified by 81 states, including four of the five permanent members of the UN Security Council. But the parliament of the fifth member, Russia, has postponed until autumn a vote on the convention, which bans the development, production and use of chemical weapons. The US administration has said it is "extremely disappointed".

Russian MPs said the country could not afford to spend $5bn destroying its stockpile of chemical weapons, estimated at 40,000 tonnes. Nevertheless, they predicted Russia was likely to ratify the convention when parliament debated the issue again.

Edward Mortimer, London, and John Thornhill, Moscow

NEWS: WORLD TRADE

Turkey signs $13.5bn deal to import Russian gas

By John Barham in Ankara

Turkey yesterday signed a $13.5bn deal with Gazprom, the Russian natural gas company, to import gas to help meet its rapidly growing demand for energy. Under the 25-year agreement, Russia will gradually increase exports to Turkey to 30bn cubic metres (cu m) a year by 2010.

Mr Recai Kutan, Turkish energy minister, said: "Turkey imports 6bn cu m of natural gas per year from Russia and starting from this year Turkey will begin importing an additional 500m cu m."

Russia supplies nearly all Turkey's natural gas, transported through a single pipeline via the Balkans. Energy consumption in Turkey is rising by about 10 per cent a year. Mr Kutan said natural gas consumptioo could rise 25 times to 60bn cu m a year by 2010.

Mr Kutan said Turkey was using 8bn cu m of oatural gas a year, 6bn cu m from Russia and 2bn cu m imported from Algeria as liquefied natural gas. But demand was increasing more than expected.

Turkey's economy is growing strongly. Its population is increasing and moving to cities. Demand is also growing because the government has chosen natural gas to fuel a new generation of power stations. Turkey is burning more natural gas as bouseholds convert polluting lignite coal-fired central heating to natural gas.

However, Russia and Turkey must expand the pipeline linking the two countries before exports can increase significantly. Turkey signed a memorandum of understanding with Russia last September to raise capacity of the existing Balkan pipeline from 8bn cu m to 14bn cu m. They also agreed to build a new 1,160km pipeline with a capacity of up to 16bn cu m per year through eastern Turkey. However, Gazprom is pushing Turkey to accept a $3.3bn project to build a pipeline beneath the Black Sea.

Turkey is trying to diversify its sources of supply away from Russia, a rival in regional geopolitics. Mr Kutan has complained in the past of falling gas supplies from Russia in the winter.

Turkey has gas import agreements witb Iran, Algeria, Nigeria, Qatar, Turkmenistan and Yemen. However, a 23-year, $23bn natural gas import deal that Mr Necmettin Erbakan, Turkey's Islamist prime minister, signed with Iran last year bas met strong US opposition.

There is no pipeline between the two neighbours and Washington has warned it may take action to block attempts to build a link. Ankara is curreotly evaluating bids to build its section of the line. Mr Kutan, a member of Mr Erbakan's Islamist Refah party, said yesterday tbat Iran has already begun construction on its section of the line.

EU reviews Iran options as envoys set to return

By Lionel Barber in Brussels

The European Union is set today to order national ambassadors to return to Iran, ending the rupture in diplomatic contacts in the wake of a German court verdict linking the Tehran regime to terrorism.

In an attempt to avoid appearing weak, EU foreign ministers meeting in Luxembourg will consider further measures to reinforce the massage that western Europe will not tolerate sponsorship of terrorism.

The measures include restricting visas for Iranian officials, tightening rules on arms sales to Iran, and freezing government export credit insurance. They fall well short of US demands for economic sanctions against Tehran.

The most difficult task for the EU was to maintain the unity displayed earlier this month wben member states withdrew envoys within hours of the German court verdict, EU diplomats said.

The verdict, on April 10, linked for the first time high-ranking Iranian officials to the murder of four Kurdish opposition figures in Berlin five years ago.

The EU will continue to suspend its "critical dialogue", which is designed to put "friendly" pressure on Iran. This policy has loug been a sore point in relations with the US, which considers it a fig-leaf for preserving important trade links with the Islamic state.

In 1995 the EU exported $11.5bn of goods to Iran, with Germany ($1.5bn) easily to the fore. France ($500m), Italy ($400m) and the UK ($400m) were also beneficiaries, according to the European Commission.

Iran exported $17.5hn worth of goods to the EU, chiefly oil and gas. Italy imported $1.35bn in goods, France $1.1bn, Germany $600m, and the UK $200m over the same period.

European diplomats yesterday said ministers would, at a minimum, agree to send back their ambassadors in a co-ordinated fashion so there was no competition between countries. Each would convey a stiff message to Tehran that the regime had to mend its ways.

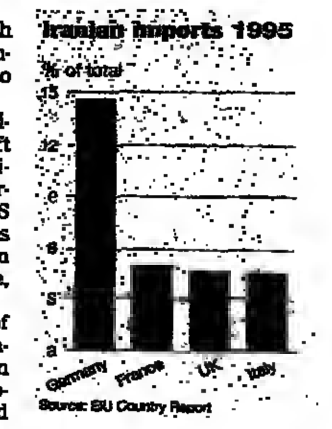
But the divisions among the 15 member states are obvious. Britain and Germany are taking the lead in pushing for something more than words, supported by Denmark, the Netherlands and Sweden.

France is more equivocal, emphasising the naad to maintain contact with Iran, a key power in the Middle East. Greece and Italy broadly support the French position, which is also influenced by the desire not to kowtow to the US.

The US administration initially welcomed the awift reaction in European capitals to the German court verdict. Mr Peter Tarnoff, US under-secretary of state, has been touring the capitals in an attempt to stiffen resolve, hnt with mixed results.

Meanwhile, opponents of the Iranian regime are planning a large demonstration in Luxembourg today to protest against diplomatic and commercial links between the EU and Iran.

An EU diplomat aaid: "There is a lot of noise about the need for action, but in the end the economic relationship is what counts."



Source: EIU Country Report

Kazakhs stumble on road to competition

Charles Clover hears warning signals that Almaty privatisations are creating conflicts of interest

The temptation to privatise for the money and to forget about trying to create competition has always been one that the governments of reforming economies have had to grapple witb. In Kazakhstsn, many analysts are warning the struggle has been lost.

During the first wave of large-scale privatisation in Kazakhstan, many productive assets – alumina refineries, iron mines, phosphate plants – were sold or rented to foreign trading companies which used tbe facilities as a source of cheap materials for tbeir downstream operations in other countries.

Now that the privatisation programma is focused on utilities – the country's electricity grid and gas pipeline system – tbe Kazakhs appear willing to hiva off their natural monopolies to foreign companies in circumstances that some analysts warn are creating a conflict of interests.

In both cases, the utility will be granted as a concession to a major supplier – In the case of the electric grid, to a supplier of power stations, and In the case of the gas pipeline system, to a potentially big source of gas. The danger of giving control of a utility to its supplier, analysts say, is that it can use its control of this infrastructure to pressure other suppliers, and use control of supply sources to pressure the utilities' customers.

Earlier this month Asea Brown Boveri, the Swiss/Swedish engineering group, was awarded a 25-year concession to operate the Kazakh high-voltage grid whicb transmits 60 per cent of the country's electricity. ABB is also building three 320MW power stations in Kazakhstan, and has plans for many more.

Two weeks before the concession was awarded, a decree was issued by Mr Akezban Kasbegeldin, the Kazakh prime minister, which required the grid operator to "buy power in priority order from Kazakh producers who are building new power stations".

"The timing," said one western businessman, "was a bit odd."

The decree automatically disqualified ABB's competitor, National Grid, a UK company whicb had earlier said it would not buy or sell electricity. It also meant ABB would be buying power from itself first, and marketing it along with electricity from other atations in a "pool" arrangement.

This, some analysts bave warned, could mean higher prices for consumers, since there would be little to constrain the distributor if it was, at the same time, one of the main generators.

ABB believes tbe combined-cycle plants it is building will mean cheaper power because they are more efficient than existing Soviet-built plants. However, others feel the power could be up to twice as expensive because of the capital costs of building the plants.

Mr Michael Robertson, a spokesman for ABB, said the company was primarily a supplier of equipment, and did not seek to be a generator. "We only take equity in a power plant in order to be the builder. Once the plant is finisbed, then we try to sell it."

Mr Keith Howlett, a senior vice-president at ABB, was quoted in the April 4 issue of Independent Power Report as explaining that the group was interested in the Kazakh grid because "wboever controls the grid system controls who is going to build generation and wbere".

Mr Robertson, commenting on Mr Howlett's statement said: "That is a bit blunt. We obviously want to anpply the equipment in Kazakhstan – that is what we do. If we have to take on other roles to further thet aim tben we do that as well." ABB has contracted Veag, the East German electricity grid operator, to run Kazakhstan's grid.

"The whole thing is worrisome from an anti-trust point of view," said a western lawyer. "The point of privatising is to creata a competitive market; the Kazakhs are doing it just to bring in investment."

Mr Robertson said, however, that the Kazakh customers would protect themselves through regulation by the anti-monopoly committee, which sets tariffs, and through a clause in the decree which stipulates thet power be sold at "a fair market price".

No Kazakh authority would comment. But in a recent interview, Mr Victor Khrapunov, the energy minister, was quoted as saying: "We are ready to collaborate with both our own as well as foreign 'money-bags' since at the present it is the only way to make Kazakhstan an energy-independent state."

Meanwbile Bridas, the Argentine oil company, is in exclusive negotiations with the Kazakh government for a 15-year concession to operate the country'a natural gas pipeline system.

Again, industry analysts warn of a conflict of interest. Bridas, they point out, is at loggerheads with the government of neighbouring Turkmenistan which has been seeking to revise its contracts with Bridas. Half of the Argentine company's certified 1.5bn barrels of oil and gas reserves are in Turkmenistan. Turkmenistan's gas aupplies pass through Kazakhstan on their way to Russia and Europe.

"You think its a coincidence tbat tbey want this pipeline?" said one westerner involved in the negotiations. "They get control of the valves for Turkmenistan's gas."

However, Mr Malcolm Hurlston, a Bridas representative, said: "Bridas's arrangements with Kazakhstan in connection with gas pipelines, and Turkmenistan as the country's leading investor, are entirely separate."

UK banks' unreadiness for Emu virtually rules out early membership

Banking on Britain staying out

Preparing for Emu

One of the most revealing statements about Britain's position on the European single currency has come from Barclays Bank, which said last week it would not prepare its UK retail branches for the coming of the euro. Mr Andrew Buxton, chairman, said it was not in the bank's interests to have "converted our counters so that they can run on dual currencies".

His comments were a sharp contrast to the wait-and-see rhetoric of the Conservative government and the opposition Labour party.

Whatever the outcome of Thursday's general election, British government policy on Emu is likely to remain opaque. But Mr Buxton appears to be in no doubt that Britain will not take part in European monetary union in 1999.

Moreover, his comments could become a self-fulfilling prophecy because lack of preparation by the largest banks itself constitutes an obstacle to participation. The progress of Emu preparations and the government's final decision form a mutually reinforcing mechanism. If banks are ill-prepared, even the most pro-European commentators would find it hard to argue that Emu was in the UK's best economic interest.

Barclays said its preparations for Emu in its wholesale operations – transactions with other banks and financial institutions – are running on full steam. This is true also of other banks, although there are some differences of detail.

One UK banker said his bank took a perceptibly different line: "Of course, you've got to be ready for wholesale, there can be no question.

"If you go down the line, then you find there are some difficult areas in corporate banking that straddle wholesale and retail. But there is no doubt from our discussion with our customers that we have to provide them with a pretty adequate euro service, whether we are in or out," he said.

A senior UK official admitted recently that German banks and companies were better prepared than their UK counterparts and this is directly linked to the certainty of Germany's membership of Emu. He said that Britain would be well prepared on the wholesale side, which "is all that we care about". The answer reflects expectations that Emu will go ahead, but without the UK.

Privately, UK bankers acknowledge they may have a problem if the government decided to join Emu in 1999 after all. One banker closely involved with Emu preparations said: "I have given up worrying about this. I'll just get another job."

Barclays claims it has an emergency procedure that it can invoke at any time. A German banker ridiculed tha idea because Emu is not just about payment systems, accounting and dual currency procedures, but also about know-how and training. "This is going to be very risky for the British," he said. "If we hadn't prepared as much as we had, I think our customers would have left us in droves to join banks that have made the preparations." He said that from the first day, every customer and every local branch would have to have tha capability to handle payments in both euros and national denominations.

German banks are spending vast amounts of money to get ready for Emu. Deutsche Bank has budgeted DM400m ($230m). Much of this goes on training staff in local branches so that they are prepared to face questions from bewildered customers after January 1, 1999.

Some of this investment goes on training customers through a series of workshops throughout the country. These workshops deal with technical aspects and also with strategy.

In Britain, meanwhile, the uncertainty surrounding membership of Emu has left its traces even in the wholesale market, according to the Bank of England. In its latest report on the practical issues arising from Emu the Bank gave an uncharacteristically blunt warning against complacency.

It said banks ought not to follow the latest fashions in public opinion, and fool themselves into believing the Emu might be postponed. "For planning purposes, the only prudent assumption is that Emu will begin on time," it said.

The Bank also warned that it was easy to underestimate the length of time it might take to change even moderately complex information technology systems, and urged financial institutions to begin work in the next few months, or risk not being ready for Emu.

Wolfgang Münchau

Barclays chairman Andrew Buxton: It is not in the bank's interests to have 'converted our counters so that they can run on dual currencies'. *Trevor Humphries*

German towns and cities wake up to euro-consciousness

By Peter Norman in Bonn

Germany is a land of euro-paradox. A euro-enthusiast chancellor is confronted with a citizenry that profoundly mistrusts the single currency, and yet the Bonn government's publicity campaign for the euro has been modest to the point of near-invisibility.

So far, Chancellor Helmut Kohl has relied almost entirely on the banks to drum up support for the euro. There are signs, however, that this will change.

Acceptance of the single currency will also depend on the success of Germany's towns and cities in introducing the euro. It is at the local level that the average citizen comes most into contact with government in a relationship that usually involves money.

German local authorities have only recently begun planning for the single currency. Information is in short supply. Local government officials complain of a lack of clear guidance from federal or state authorities.

The sole practical guide to help local authorities tackle the conversion was produced late last year by the German savings bank movement. Shortly afterwards, the Deutscher Städtetag, a federation representing 6,400 municipalities, set up a working group of so-called *avant garde* cities to pool experiences in handling the switch from the D-Mark.

The euro poses many challenges at a local level. They include the physical conversion of coin-operated machines, such as parking meters, and decisions on whether to round up or down the prices charged for public transport, swimming pools, libraries and parking fines.

City treasurers will have to develop mechanisms to accept deal with companies that wish to pay taxes in euros from January 1 1999, when currencies are locked irrevocably. However, a German cabinet decision yesterday made clear that town budgets are generally expected to be denominated in D-Marks until 2002 when euro notes and coins replace national currencies as legal tender.

Because local authorities in Germany supply essential services such as electric power and waste collection and pay income support to the needy, they will have to ensure that the euro is understood by citizens.

Already problems are looming. A shortage of capacity in German software houses could make it difficult for all local authorities to change their computer programmes in good time.

In the capital, Bonn, Mr Ludger Sander, the city treasurer, estimates that it will take six months and some DM1m ($600,000) to convert 70 data processing programmes to euros. These and other costs will squeeze a city budget that is under such pressure that some street lights are turned off at night.

On the other hand, the euro could bring advantages. Mr Jochen Dieckmann, the Städtetag chief executive, expects that the greater transparency it will create in the EU's single market will produce a more competitive environment when tendering for goods and services.

More generally, introduction of the euro in Germany should provide belated encouragement for a cashless society as local authorities promote the use of rechargeable electronic payment cards to cover small outlays such as tram fares.

Local authorities are beginning to organise their lobbying on the euro. The Städtetag has told the Bonn finance ministry of its strong opposition to an extended six-month handover period in 2002 when national notes and coins are due finally to be replaced by the euro. It has also warned that double pricing in D-Marks and euros would be financially and technically unacceptable to its members.

With Cologne, Münster, Frankfurt am Main, Cottbus and Bremen, Bonn is one of six cities in eastern and western Germany chosen by the Städtetag to form its euro *avant garde*.

Bonn sees itself as a "pilot city" for the single currency. It has appointed a "euro-co-ordinator", Mr Bernhard Gehrmann, who is currently conducting a survey of city departments before drawing up a detailed plan on the timing and cost of conversion.

However, Mr Gehrmann has found that introducing the euro will be more complex than he expected. His conversion master plan is now likely to be ready for the city authorities in the summer rather than the end of this month as planned.

Bonn's objective, according to Mr Gehrmann, is to carry out all changes "in such a way as to meet the needs of local citizens". It sounds a modest enough aim, but success in achieving it could be crucial to overcoming Germany's mistrust of the single currency.

Finance ministry says population's tax bills are likely to remain in D-Marks until 2002

German citizens are unlikely to have to worry about paying tax bills or social security contributions in euros until 2002, despite the determination of Chancellor Helmut Kohl that European monetary union should start on time three years earlier, writes Andrew Fisher in Frankfurt.

The finance ministry said yesterday that, on practical and cost grounds, public authorities would probably not use the euro until 2002. But companies which intended to draw up accounts and carry out business transactions in the new single currency from 1999 would be able to do so.

Siemens, the electrical and electronics group, for example, has said it will draw up its accounts in euros from 1999. It has also said it would like to be able to pay its taxes in euros as soon as possible. But it recognises that authorities might not be ready for this until national currencies of Emu members are finally replaced by the euro.

The ministry said the three-year transition period between Emu's start and the full introduction of euro notes and coins in 2002 would be managed on the basis of "no hindrance, no force". It was giving details of an interim report on Emu preparations drawn up by a special working party and approved by the cabinet yesterday.

Showing awareness of the high level of German public scepticism towards the euro, the report stressed that monetary union was not a currency reform but a conversion – "the figures change, the value stays the same".

It said many daily transactions for German citizens would continue to be in D-Marks during the three years when national currencies of Emu members and the euro (initially an accounting unit) existed in parallel. Since many people would have no contact with the euro until 2002, "they should be able to rely on the fact that public authorities continue to work on the basis of D-Marks".

However, many big transactions will be carried out in euros from the start. As well as large corporate dealings, this will also apply to internal accounts of the Bundesbank and capital markets. Companies can denominate shares in euros from 1999.

The report left open whether existing German government debt would be converted into euros from the start of Emu or in 2002. France has already said it will do this, and German banks have been pushing the Bonn government to follow suit.

Flynn calls for employers and unions to set their own agenda

By Robert Taylor, Employment Editor

European Union integration will not be complete without the creation of a Europe-wide industrial relations system in which trade unions and employers exercise joint power and responsibility, according to Mr Padraig Flynn, the European social affairs commissioner.

In a speech he intends to make today in The Hague, Mr Flynn will argue that future social legislation should come not from governments but through dialogue between the European trade unions and employers.

This does not mean creating a "single, harmonised system of industrial relations to replace the way we do things now in different member states", he argues. But he wants unions and employers to "make their real views known and to develop their own initiatives".

In his opinion this is the way the EU should develop so that there can be "a better balance between economic and social objectives". "Monetary union is knocking loudly at our door," he says. "But a Union without a strong social dimension cannot be a Union worthy of the name, and, without it, the single market and Emu [economic and monetary union] will both face an uncertain future."

His call will be welcomed by the European Trade Union Confederation, but is likely to face criticism from some governments.

The existing social dialogue between the trade unions and employers – in which representatives of both meet in Brussels – was introduced in 1985 by the then European Commission president, Mr Jacques Delors. In his speech, Mr Flynn believes it has proved its worth and now has a strategic place in EU social policy development. The so-called social partners system began as a consultative process but has now been transformed into a decision-making forum.

He will argue today that other Europe-wide professional organisations should be asked to join the dialogue and future consultations should be more flexible, with wider representation.

The agreement on unpaid parental leave was the first tangible development of the union-employer co-operation and Mr Flynn expects more such accords as an alternative to passing legally enforceable directives through member state governments. Currently, both sides are trying to reach a consensus on common legal rights for part-time workers.

Mr Flynn will tell his audience that the Commission is keen to see more voluntary negotiations where unions and employers can make deals and framework agreements in areas which have been the responsibility of member states.

He wants to see developments at industry sector level through joint union-employer initiatives which could cover cross-industry policy as well as inter-professional agreements in specific industries as has happened recently in the cleaning and rail industries.

"The Commission is keen to promote and develop the sectoral dialogua, particularly in its negotiating role," he says.

"Equally, we want to maintain and extend its other important role, which is that of informing and consulting sectoral employers and unions on EU policies."

Ministers agree to increased co-operation across Union

Closer links in crime crusade

By Emma Tucker in Luxembourg

European Union justice and home affairs ministers yesterday agreed to step up co-operation in the fight against organised crime in Europe, signalling their recognition that efforts to stem the proliferation in sophisticated, cross-border crime have not gone far enough.

Meeting in Luxembourg, the ministers unanimously adopted a report which warns that efforts to co-ordinate investigations in areas such as money laundering, drug trafficking and terrorism are always one step behind the criminals.

The report was drawn up by a group of senior justice, police and customs officials. Its 15 guidelines and 30 recommendations will be presented to heads of state in June, when they meet in Amsterdam to revise the EU treaty.

"If Europe is to develop into an area of freedom, security, and justice, it needs to organise itself better, and to provide strategic and tactical responses to the challenge facing it," the report says. "This requires a political commitment at the highest level."

The recommendations include a commitment to examine areas where harmonisation of judicial and criminal laws would have a practical effect on Euro-crime. It calls on the Council of Ministers to produce concrete proposals by mid-1999.

Britain has been at the forefront of resistance to any harmonisation of laws in the sensitive areas of justice and home affairs. However, officials yesterday said Britain would not be opposed to harmonisation in areas where it was necessary and would have a real impact on effective co-operation.

Other recommendations include:

- Reinforcing Europol, the European police intelligence agency, by giving it the right to facilitate and support investigations carried out by national police forces and for Europol staff to be included – in a support capacity – in teams of national police officers. Europol would also be allowed to ask national police forces to carry out investigations.
- More effective implementation of instruments already adopted.
- Closer co-operation with third countries, in particular countries hoping to join the EU.

The guidelines also stress the importance of member states co-ordinating their police forces effectively – a weakness recently revealed in Belgium following the bungled handling of a series of paedophile cases. The report calls for states to set up a single contact point to facilitate liaison with others.

In another key recommendation, it urges the establishment of a judicial co-operation network to be set up at a European level, permitting the exchange of information between national authorities.

At the moment, operations that are successfully co-ordinated by police authorities often fall apart at the judicial stage, where co-operation is weak.

Gloom at record levels in Japan

By Gillian Tett in Tokyo

Japanese public disillusionment has riseo to record levels, amid growing political and economic unease, according to a survey from the prime minister's office.

Some 55.5 per cent of Japanese now believe the country's future is "bleak".

The level of pessimism is the bighest recorded since the annual survey started in 1971. The previous lowest point was reached in 1995, when national morale plummeted after the Kobe earthquake and the deadly gas attacks in Tokyo's subway system.

The survey, which covered 10,000 people, sbows that only 24.4 per cent of the population feels that Japan is "heading io the rigbt direction".

The economic unease exposed by the survey is striking. Japan is emerging from several years of sluggish growth after the collapse of the 1980s' "bubble" and it recorded the highest level of growth among the Group of Seven leading industrialised countries in the last fiscal year.

Yet in recent months the Japanese media have been dominated by discussions about Japan's national "decline" – a sharp coutrast to the mood of national self confidence seen in the country in the 1980s.

The key reason for the gloom, cited by 54 per cent of respondents, is Japan's fiscal deficit.

This has been rising sbarply in recent years and has been cited by the government as the key reason for an increase in consumption taxes earlier this month.

Respondents also blamed the general economic situation, the environment, the cost of living and medical care as reasons for their pessimism.

Concern is also growing that the government will not be able to meet its pensions liabilities, as the number of pensioners increases quickly.

And public unease has been fuelled in recent months by banking failures and the collapse last week of Nissan Mutual Life, one of Japan's life insurance companies.

Confidence in the government is also extremely low, in spite of the recent general elections.

Some 77 per cent of respondents argued that government policies do "not reflect the national will" of the people.

Japanese life group faces probe

By Gillian Tett in Tokyo

The Ministry of Finance yesterday launched an investigation into the Japanese insurance company, Nissan Mutual Life, after it ordered it to suspend business last Friday.

The probe will attempt to ascertain the level of bad debts at the group, which sent shock waves through Japan's financial community after becoming the first life insurance company to fail in Japan since the second world war.

Market concern about the episode – which marks a test case for the Japanese authorities – has been fuelled by revelations that Nissan Mutual Life's problems had been known to some of its auditors and government officials for several years.

Meanwhile, the degree of protection that will he offered to policy bolders, remains uncertain. The Ministry of Finance pledged last Friday that all policy bolders would he protected. And some government officials are seeking to persuade other life insurers to assume responsibility for Nissan Mutual Life's commitments and its assets.

However, it remains unclear whether this plan will be accepted hy the industry, and speculation is rising in parts of the life insurance industry that Nissan Mutual Life's policy holders may be forced to accept lower payments in the future.

After the Ministry of Finance ordered the closure of the group on Friday, Nissan Mutual Life said that it faced a capital deficit of some Y200bn ($1.6bn). This partly reflected a surge in bad debts, which totalled Y42.3bn at the end of September.

Meanwhile, the company – which has assets of Y2,167bn – expected net losses to reach Y52.5bn in the year to March.

Detailed financial information about the group is not available, since Nissan Mutual Life – like the rest of Japan's financial institutions – has resisted full disclosure.

However, some analysts yesterday suggested that the real level of bad debts was likely to be far higher than revealed, because the previously published accounts had not revealed the degree of financial problems to which the company has now admitted.

Ministry of Finance officials yesterday said they had been aware of the company's deteriorating financial position for several years. However, officials argue that they had delayed closing the group since they hoped that its business would recover.

Yamaichi to close Milan office, Page 23

Burma - the sick man gets sicker

The day after a prohibition on new US investments in Burma was announced, the beads of several oil companies operating in tbe country sat down to dinner at one of Rangoon's new luxury botels. They were salivating – but not because of the succulent lobster on offer that eveniog.

Instead, they were discussing how to carve up exploration rigbts held by US companies, rights the US companies will most likely have to give up under the new rules – the climax of a campaign whose most distinguished advocate bas been Burma's democracy leader, Ms Aung San Suu Kyi.

In the absence of tbe US companies, "it's all there for the taking. No project will not be taken up," says an executive with a Malaysian conglomerate.

His comment echoed the opinion of the Burmese business community, and that of the military government, whicb bas said: "Myanmar [Burma] has opened the doors to outside investments and its ahundant natural resources will benefit all tbose who come to invest.

"We can only feel sorry for the US companies, because tbey will not get a second chance to invest in Myanmar if opportunities are taken over by companies from nations with consistent foreign policies."

Burma

Foreign investment (by country)

	Total to 1995-96 $m	Total to 1996-97 $m
Australia	30.0	40.0
China	5.6	28.7
Denmark	13.3	13.8
Germany	–	15.0
Japan	119.8	192.0
Malaysia	227.2	447.3
Singapore	603.8	1,215.1
Thailand	421.1	1,026.8
UK	792.5	1,304.7
US	241.0	582.0

Source: Burma Investment Commission

Aung San Suu Kyi: has long advocated trade sanctions AP

Yet outside the oil and tourism sectors, international companies are hardly rushing to invest in Burma, scared off hy poor infrastructure, a cumbersome dual-exchange rate system and the threat of consumer boycotts in the west.

A trickle of Asian and European investment to replace the potential lost flows from the US is not enough to prevent a sick economy deteriorating even furtber. Inflation, tamed over a year ago, is now running at more than 30 per cent and the price of rice has doubled in less than a year.

Without a "one-shot" devaluation of the currency by 99 per cent, coupled with structural reforms, economic growth will fall to 4 per cent (from 6.1 per cent) by the year 2000, the current account deficit will rise 14 per cent, and foreign exchange reserves, oow at their lowest since the military junta took office in 1988, will cover just over one month's imports, the International Monetary Fund predicts.

Debt service arrears accumulate, with over $1.5bn outstanding at the end of the last fiscal year. Exports bave stopped growing, as rice shipments, once expected to be the cornerstone of Burma's export drive, have virtually stopped.

Local businessmen and economists say what is keeping the economy moving, and the shelves and showrooms stocked with expensive foreign goods despite an official ban on non-essential imports, is the dual benefits of inflows from the underground economy and smuggling, which US sanctions can do nothing about.

With the military signing ceasefires with ethnic groups operating along Borma's borders, proceeds from gems, jade and heroin which these groups control are now being invested inside Burma, rather than in Thailand, Taiwan and Hong Kong as was previously the case.

In fiscal 1995-96, about $442m of hard currency not accounted for in official investment figures flowed into the country, reversing previous years of net unrecorded outflow, according to figures from the IMF and World Bank.

Much of this is being spent on supposedly restricted imports. An active secondary market is operating in special import privileges for favoured investors; the government's own social organisation, the United Solidarity and Development Association, routinely imports cars from neighbouring countries. Trading companies bring goods across from Thailand by truck and from Malaysia by boat.

A key component of this system is the ability to settle accounts overseas. In a side street in downtown Rangoon, an Indian broker offers to take kyat (the Burmese currency) at below the black market rate in Rangoon and provide hard currency to any bank account worldwide, even the US.

The broker thinks his business, which relies on the continued muddling along of the Burmese economy, is risk-free. "I can help people do business as long as this government can't get along with its own people and the rest of the world," he says.

Ted Bardacke

Canberra plan to clarify land title law

By Nikki Tait in Sydney

Mr John Howard, Australia's prime minister, announced yesterday his conservative Liberal-National government would legislate a "10-point" native title plan, in an effort to end the confusion over Australian land tenure.

He said the legislation would be drawn up in Canberra in "close consultation" with state governments "because it intimately involves the use of state mechanisms". Mr Howard also said that Aboriginal representatives would be consulted.

The confusion over Australian land tenure stems from a High Court ruling last December. This said that native title rights could exist on land already subject to a pastoral lease – although it also stressed that if there was any conflict, the pastoral leaseholder's rights should take precedence.

About 40 per cent of Australia is covered by pastoral leases and although the High Court ruling did not immediately threaten any farmer's land tenure, it did raise questions over what activities could be carried out without consulting Aboriginal native title claimants.

Details of the 10-point plan have yet to be released. But its broad aim is to ensure that pastoral activities can continue on land which is subject to a pastoral lease. It would toughen the threshold test for native title claimants and ensure that Aboriginal groups have no right to negotiate over water management or timber extraction.

The 10-point plan does not include a blanket extinguishment of native title rights on pastoral lease land – in contrast to the demands of Australia's powerful farming lobby. As a result the Queensland state government declined to back Mr Howard's plan yesterday, after a day of talks between the prime minister and state leaders.

The United Graziers' Association said it was "bitterly disappointed" that the federal government was not pursuing the extinguishment option. "Rural landholders feel betrayed by Mr Howard's decision," said Mr Larry Acton, its president.

■ The Queensland Chinese Community Voice, which claims to represent about 30,000 Chinese-Australians, yesterday said it was objecting to the Australian Electoral Commission about the Pauline Hanson One Nation party. The new party has been formed by Ms Pauline Hanson, the outspoken independent federal MP who criticises Asian immigration and objects to money spent on Aboriginal welfare.

ASIA-PACIFIC NEWS DIGEST

Japanese output falls by 1.5%

Japanese industrial production fell by a less-than-expected 1.5 per cent from February to March and is projected to recover strongly in the following two months because of increased domestic demand, the Ministry of International Trade and Industry said yesterday. This sbows output up by 3.1 per cent in the first quarter compared with the previous quarter, or 6.6 per cent ahead of the same period last year.

Output is set to rise 1.9 per cent month on month, in April and 1.1 per cent in June, bringing the increase in the second quarter to 7.4 per cent compared with the second quarter of last year. The ministry bases its forecast of a continued recovery on the fact that inventories of unsold stocks and materials declined by an unusually large 2.6 per cent from February to March. That means any increase in demaod will quickly feed through to higher output, rather than being supplied from surplus stocks. *William Dawkins, Tokyo*

Bond ex-director pleads guilty

Mr Peter Mitchell, a former director of Mr Alan Bond's Bond Corporation, yesterday pleaded guilty to his part in the A$1bn (US$775m) Bell Resources fraud in the late-1980s, described as Australia's biggest corporate fraud. Mr Mitchell, now based in the US, pleaded not guilty to conspiring to defraud Bell Resources after it was bought by Bond Corporation in 1988, but pleaded guilty to four counts of acting improperly as a director.

Mr Alan Bond, one of the country's most prominent businessmen in the late-1980s, has pleaded guilty to his part in the fraud, and is serving a jail sentence. Mr Tony Oates, another former Bond Corporation director also charged over the same matter, has been held by Polish authorities, and awaits extradition. *Nikki Tait, Sydney*

Malaysian politician fined

A prominent Malaysian opposition politician was found guilty yesterday of sedition and spreading false news in a ruling which could mean the loss of his parliamentary seat. Amnesty International, the human rights group, had described the cbarges against Mr Lim Guan Eng (*pictured left*), youth leader of the Democratic Action party (DAP), the largest opposition party, as politically motivated. He was, fined M$15,000 (US$6,000) for violating the Sedition Act and the Printing and Publications Act. A fine of more than M$2,000 disqualifies a person from being an MP.

Mr Lim had remarked during a court case in 1995 that a 15-year-old girl, with whom a leading politician was accused of having sex, was being treated like an imprisoned victim because she was kept in police custody for more than a week. The prosecution contended the statement was seditious because it seemed to accuse police of illegally detaining the girl.

No cbarges were brought against the politician, Mr Rahim Tamby Chik, then a close associate of Dr Mahathir Mohamad, the prime minister, because of what was said to be insufficient evidence. *James Kynge, Kuala Lumpur*

Suicide of Korean banker

Korea's Hanbo scandal yesterday claimed its first death with the suicide of a senior banker recently questioned about loans to the collapsed steel group. Mr Park Suk-tae, a former managing director of Korea First Bank, was found dead by hanging at his Seoul home. He had recently appeared at a parliamentary committee into alleged government pressure on banks to lend to the Hanbo, which declared bankruptcy in January.

Family members said Mr Park had been depressed since he quit Korea First, Hanbo's main creditor, in March after a warning from the Office of Bank Supervision that the bank loans to Hanbo were not backed by sufficient collateral. The scandal has shaken the government of President Kim Young-sam, with 10 politicians and businessmen on trial for corruption. *John Burton, Seoul*

Warning on emission curb costs

By Nikki Tait and agencies

The Australian Bureau of Agricultural and Resource Economics (Abare), the government-owned forecasting agency, yesterday released figures indicating greenhouse gas emission targets being advocated by the US and Europe could cost every Australian A$9,000 (US$7,000) a year by 2020.

The analysis also indicated that the per capita cost on Japan could be as high as A$15,000 (US$11,700) a year.

The figures were released hours before a visit to Australia by Mr Ryutaro Hashimoto, Japan's prime minister. Australia's prime minister, Mr John Howard, confirmed that he planned to raise the emissions issue in talks with Mr Hashimoto.

"The considerations around climate change impose one of the more significant medium-term economic threats this country has faced for a long time," Mr Howard said.

According to Abare, the Australian estimate is based on the target agreed in Rio de Janeiro of reducing carbon dioxide emissions to 10 per cent below 1990 levels by the year 2020. Australia has argued that the costs of such an emission abatement programme would fall unevenly on different countries.

"Abare estimates that uniform abatement targets will impose significant costs on Australian industry, leading to a loss in competitiveness in key areas such as non-ferrous metals (principally aluminium) and iron and steel products," said Mr Brian Fisher, Abare's executive director.

INTERNATIONAL ECONOMIC INDICATORS: BALANCE OF PAYMENTS

Trade figures are given in billions of European currency units (Ecu). The Ecu exchange rate shows the number of national currency units per Ecu. The nominal effective exchange rate is an index with 1985=100.

■ UNITED STATES

	Exports	Visible trade balance	Current account balance	Ecu exch rate	Effective exch rate
1986	231.0	−140.8	−153.4	0.9836	81.4
1987	220.2	−131.8	−144.1	1.1541	71.9
1988	272.5	−100.2	−107.4	1.1833	67.0
1989	330.2	−89.3	−94.3	1.1017	70.0
1990	309.0	−79.3	−72.7	1.2745	66.7
1991	340.5	−53.5	−6.0	1.2391	65.7
1992	345.8	−65.2	−47.5	1.2957	64.4
1993	397.3	−98.7	−85.4	1.1705	68.3
1994	432.3	−127.0	−125.2	1.1857	65.1
1995	452.3	−122.8	−114.6	1.2928	61.2
1996	499.6	−133.1	−131.8	1.2526	64.4
1st qtr.1996	121.3	−30.9	−28.1	1.2570	63.7
2nd qtr.1996	126.2	−33.0	−32.8	1.2362	64.6
3rd qtr.1996	122.3	−36.6	−37.9	1.2613	64.4
4th qtr.1996	128.8	−32.6	−33.0	1.2557	65.0
March 1996	41.0	−9.9	n.a.	1.2541	63.8
April	41.6	−10.6	n.a.	1.2421	64.3
May	42.8	−11.8	n.a.	1.2282	64.6
June	41.9	−10.5	n.a.	1.2383	64.8
July	40.0	−12.5	n.a.	1.2563	64.8
August	41.3	−11.4	n.a.	1.2688	64.1
September	41.0	−12.7	n.a.	1.2587	64.7
October	43.0	−10.2	n.a.	1.2538	65.0
November	43.0	−10.1	n.a.	1.2706	64.4
December	42.8	−12.3	n.a.	1.2428	65.5
January 1997	43.1	−14.5	n.a.	1.2106	65.7
February	47.3	−13.8	n.a.	1.1587	68.9

■ JAPAN

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	209.9	94.2	87.2	165.11	127.7
1987	194.7	83.7	75.5	166.58	138.8
1988	218.7	79.8	67.0	151.51	153.7
1989	245.5	70.6	53.4	151.87	147.0
1990	220.0	50.0	28.5	183.94	132.5
1991	249.4	77.7	57.4	166.44	143.7
1992	256.6	95.2	86.7	164.05	150.7
1993	300.3	118.6	112.4	130.31	181.0
1994	325.0	121.7	110.5	120.99	194.9
1995	331.1	101.3	85.3	121.43	204.8
1996	319.8	68.8	52.6	136.24	177.7
1st qtr.1996	79.1	17.7	13.4	132.92	182.0
2nd qtr.1996	81.7	16.3	12.9	132.90	180.8
3rd qtr.1996	78.7	15.7	13.2	137.43	176.9
4th qtr.1996	80.4	17.0	13.1	141.72	171.2
March 1996	26.2	7.2	5.1	132.84	181.9
April	26.7	3.9	3.5	133.12	180.7
May	28.5	6.0	4.8	130.87	183.1
June	26.6	6.3	4.6	134.91	178.2
July	25.7	4.6	4.3	137.21	176.8
August	26.8	6.2	6.1	136.84	179.2
September	25.4	4.8	2.8	138.24	175.7
October	27.1	5.5	4.4	140.92	172.2
November	27.1	6.7	4.7	142.64	171.3
December	26.2	4.8	4.1	141.59	170.2
January 1997	28.4	5.9	5.8	142.63	166.5
February	27.5	4.1	4.1	142.52	162.3

■ GERMANY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	248.5	53.5	41.8	2.1279	108.8
1987	254.4	56.8	40.8	2.0710	114.9
1988	272.6	81.4	42.4	2.0739	114.1
1989	310.1	65.1	51.5	2.0681	113.3
1990	324.6	51.8	38.3	2.0537	118.1
1991	327.6	11.1	−14.6	2.0480	117.1
1992	330.8	18.8	−15.0	2.0187	120.6
1993	325.2	30.6	−12.1	1.9337	125.3
1994	380.3	37.5	−17.8	1.9198	125.6
1995	404.4	45.8	−18.3	1.8509	132.1
1996	416.4	52.2	−11.7	1.8844	128.6
1st qtr.1996	103.0	11.6	−0.8	1.8455	130.6
2nd qtr.1996	101.6	11.5	−2.7	1.8821	128.2
3rd qtr.1996	104.8	14.5	−6.7	1.8884	128.7
4th qtr.1996	107.0	14.5	−1.5	1.9217	127.0
March 1996	34.4	4.0	1.1	1.8528	130.1
April	34.2	4.3	−0.7	1.8715	129.0
May	33.8	4.3	−1.8	1.8826	127.7
June	33.6	3.0	−0.4	1.8821	127.8
July	35.4	5.5	−3.2	1.8888	128.5
August	34.6	4.4	−3.2	1.8808	129.2
September	34.8	4.6	−0.3	1.8957	128.3
October	35.5	4.9	−1.2	1.9157	127.3
November	35.9	5.1	0.1	1.9207	127.3
December	35.7	4.6	−0.5	1.9288	126.2
January 1997	34.6	3.3	−4.8	1.8414	125.3
February				1.9412	124.5

■ FRANCE

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exch. rate
1986	127.1	0.0	3.0	6.7946	102.7
1987	128.3	−4.6	−3.7	6.9265	102.7
1988	141.9	−4.7	−3.4	7.0354	100.6
1989	162.6	−6.3	−3.6	7.0169	99.6
1990	170.1	−7.2	−7.2	6.9202	103.8
1991	175.4	−4.2	−4.9	6.9643	102.1
1992	182.5	4.5	2.9	6.8420	105.4
1993	179.5	13.3	8.0	6.6281	109.1
1994	198.9	12.9	5.4	6.5659	110.1
1995	222.1	15.9	10.8	6.4480	113.4
1996	230.5	17.7	16.8	6.4068	113.3
1st qtr.1996	58.0	4.7	6.1	6.3281	113.9
2nd qtr.1996	56.2	3.9	2.7	6.3772	113.4
3rd qtr.1996	58.2	5.1	3.7	6.4242	113.2
4th qtr.1996	58.1	4.1	4.3	6.4976	112.5
March 1996	19.9	1.8	1.9	6.3434	113.7
April	18.4	0.5	0.6	6.3489	113.9
May	19.3	1.8	0.8	6.3707	113.3
June	18.5	1.5	1.2	6.4121	113.0
July	19.1	1.8	−0.6	6.3965	113.7
August	18.6	2.1	1.8	6.4231	113.2
September	18.5	1.4	2.7	6.4532	112.8
October	19.7	1.8	1.8	6.4770	112.8
November	18.6	1.0	1.0	6.5001	112.6
December	19.7	1.3	1.6	6.5156	111.9
January 1997	18.1	1.8	3.2	6.5512	111.2
February				6.5639	110.8

■ ITALY

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	99.4	−2.5	−1.4	1461.6	101.4
1987	101.0	−7.7	−2.1	1494.3	101.1
1988	108.3	−8.9	−6.0	1536.8	97.7
1989	127.8	−11.3	−17.0	1509.2	98.8
1990	133.8	−8.3	−18.0	1523.2	100.1
1991	137.0	−10.5	−17.7	1531.3	98.7
1992	137.8	−8.0	−21.5	1591.5	95.8
1993	144.9	18.1	9.7	1836.7	80.5
1994	161.4	18.9	13.1	1908.6	77.0
1995	178.8	21.7	20.1	2106.4	69.4
1996	198.5	35.3	21.0	1932.1	75.8
1st qtr.1996	47.8	4.9	−1.2	1976.7	73.2
2nd qtr.1996	51.4	9.8	10.7	1922.3	75.9
3rd qtr.1996	47.4	11.3	8.8	1918.4	76.7
4th qtr.1996	52.3	9.4	2.8	1911.2	77.6
March 1996	17.9	2.7	−1.3	1959.1	74.0
April	16.2	2.3	2.4	1944.9	74.8
May	16.1	3.9	4.0	1912.2	76.2
June	17.1	3.7	4.3	1909.8	76.8
July	18.7	6.3	2.7	1918.1	76.6
August	11.9	3.5	5.4	1923.8	76.4
September	15.7	1.5	0.7	1813.2	77.0
October	19.1	4.0	1.3	1911.4	77.5
November	17.1	3.0	1.6	1922.6	77.2
December	16.1	2.4	−0.1	1899.5	78.1
January 1997	14.3	0.9	−3.9	1896.7	78.2
February			−1.3	1918.8	76.8

■ UNITED KINGDOM

	Exports	Visible trade balance	Current account balance	Ecu exchange rate	Effective exchange rate
1986	108.3	−14.2	−1.3	0.6708	91.1
1987	112.3	−18.4	−6.8	0.7047	89.3
1988	120.9	−32.3	−24.8	0.6643	94.7
1989	137.0	−36.7	−33.3	0.6728	81.8
1990	142.3	−26.3	−26.2	0.7150	89.8
1991	147.7	−14.7	−11.4	0.7002	90.5
1992	145.9	−17.8	−13.8	0.7359	87.1
1993	156.0	−17.3	−13.8	0.7780	79.8
1994	174.1	−14.0	−3.1	0.7736	80.1
1995	186.9	−14.1	−4.6	0.8190	76.2
1996	206.9	−15.2	−0.0	0.8026	77.5
1st qtr.1996	49.6	−4.5	−1.9	0.8208	75.0
2nd qtr.1996	51.2	−3.7	0.9	0.8113	76.1
3rd qtr.1996	51.4	−3.6	−0.4	0.8113	76.8
4th qtr.1996	54.9	−3.4	1.1	0.7670	82.1
March 1996	16.7	−1.3	n.a.	0.8212	75.0
April	16.8	−1.5	n.a.	0.8201	75.2
May	17.3	−1.1	n.a.	0.8106	76.0
June	17.1	−1.1	n.a.	0.8031	77.2
July	17.3	−1.4	n.a.	0.8065	77.0
August	16.8	−0.8	n.a.	0.9185	76.1
September	17.3	−1.4	n.a.	0.8070	77.4
October	18.2	−0.9	n.a.	0.7904	79.4
November	18.0	−1.3	n.a.	0.7642	82.8
December	18.7	−1.1	n.a.	0.7465	84.4
January 1997	18.7	−0.7	n.a.	0.7298	86.2
February	19.9	−1.1	n.a.	0.7132	87.5

Due to the introduction of the single market, EU countries are currently changing to a new system of compiling trade statistics. All trade figures are seasonally adjusted, except for the Italian series and the German current account. Imports can be derived by subtracting the visible trade balance from exports. Export and import data are calculated on the FOB (free on board) basis, except for German and Italian imports which use the CIF method (including carriage, insurance and freight charges). German data up to and including June 1990, shown in italics, refer to the former West Germany. The nominal effective exchange rates are period averages of Bank of England trade-weighted indices. Data supplied by Datastream and WEFA from national government and central bank sources.

Chrétien flings caution to the winds

Canada's PM may have called early poll in a bid to seize Quebec initiative, says **Bernard Simon**

Mr Jean Chrétien, Canada's prime minister, has seldom favoured risky gambles during his long political career. Caution has been the watchword of his Liberal government's 3½ years in office, with the prime minister generally preferring to follow rather than lead public opinion.

However, Mr Chrétien brushed aside words of caution from his own supporters by pressing ahead at the weekend with plans for an early general election on June 2.

Although the Liberals are clear favourites to win a second term in office, it is hard to find a party loyalist or an opinion pollster who believes they will match, much less exceed, the 177 seats (out of 295) they won in 1993.

Some nervous Liberals even predict a minority government, an ontcome that would almost certainly raise questions ebout Mr Chrétien's own grip on the party leadership.

As the campaign began in earnest yesterday, the Progressive Conservatives – who were left with only two MPs after the 1993 election – were confident of wresting at least a dozen seats from the Liberals in Ontario and a handful in the four Atlantic provinces.

The social democrat New Democratic party, currently with nine MPs, hopes to gain support among voters dissatisfied with tha Liberals' embrace of deficit-cutting, deregulation and North American free trade.

The Liberals also face opposition from the right-of-centre Reform party, which won 52 seats in 1993 and remains a force in western Canada, especially Alberta and British Columbia.

But the real battleground, in terms of Canada'e long-term stability, will be in Quebec.

Mr Chrétien insisted when be called the election on Sunday that he needed a fresh mandate. "We have managed to do most of the work we set out to do," he said. "The time has come to offer real choice about what kind of society we want to have in Canada for the 21st century."

However, there is no obviously pressing issue before the electorate. Liberal strategists have struggled for months to come up with new ideas for a campaign platform.

Political observers suspect that one of Mr Chrétien's main reasons for going to the country now is an issue the Liberals will seek to mention as seldom as possible over the next five weeks, namely, Quebec's place in Canada.

National unity has been on the


Chrétien: gamble

backburner since Quebec secessionists narrowly lost an independence referendum in October 1995.

Mr Chrétien has sought to spike the separatists' guns with a series of relatively low profile moves to ehow Québécois that Ottawa can respond to their concerns, without provoking accusationa of special treatment for Quebec in the rest of the country.

Last week, for instance, Ottawa resolved a long-standing Quebec demand by signing a deal to transfer juriadiction for labour training to the province.

With the election out of the way, so the theory in Ottawa goes, Mr Chrétien would be in a stronger position to seize the initiative on Quebec in consultation with premiers of the other nine provinces.

Mr Lucien Bouchard, Quebec's premier, has up to uow been preoccupied with economic issues, especially public spending cuts to meet his target of eliminating the province's budget deficit by 2000.

For Mr Bouchard, putting the economy on a sounder footing is not an end in itself, but a prelude to revving up the engines of the separatist movement again. He is widely expected to call a provincial election next year, and an independence referendum to follow in 1999 or 2000.

The Bloc Québécois (BQ), which represents the separatist cause in the federal parliament, won 54 out of 75 Quebec seats in 1993, the most of any opposition party.

A similar or better showing on June 2 would help Mr Bouchard kick-start the drive towarde the next referendum. Mr Gilles Duceppe, BQ leader, said on Sunday: "The fight for sovereignty is being pursued in [this] campaign."

The separatists have taken the credit for Mr Chrétien'e conciliatory moves towards Quebec. The BQ's campaign slogan – "The Bloc is there for you" – is designed to persuade Québécois they are best served by a strong nationalist force in Ottawa.

The BQ would be especially pleased if its candidate, a former provincial cabinet minister, could topple Mr Chrétien in St-Maurice in eastern Quebec.

But Québécois, who have a reputation as Canada'e canniest voters, may have a surprise in store for the BQ. According to a Canadian Broadcasting Corporation opinion poll due to be aired last night, the BQ has lost significant ground in recent weeks, mainly to the Conservatives.

The poll gives the BQ 35 per cent of the decided vote, compared with 37 per cent for the Liberals and 25 per cent for the Tories. Mr Jean Charest, the Tory leader, earned far higher approval ratings than either Mr Chrétien or Mr Duceppe.

The risk for the federalist camp is that anti-separatist votes will be split between Tories and Liberals, allowing BQ candidates to slip in with less than 50 per cent of the vote. The BQ captured about a dozen seats in this way in 1993.

Nevertheless, a strong showing by federalist forces in Qnebec could vindicate Mr Chrétien'e decision to call an early election – even at the expense of Liberal seats elsewhere in the country.

Winnipeg digs in against rising floods

By Scott Morrison in Vancouver

Canadian federal troops and emergency personnel are furiously erecting dykes to protect portions of Winnipeg from an onslaught of flood water lapping at the city's edge.

A 15-mile emergency dyke south of the city of 700,000 people was expected to be completed yesterday and workers have begum building a second earthen wall behind it in case the first fails.

Three million sandbags have already been stacked and an estimated 9m should be in place by the time flood waters crest this weekend.

The spring thaw following a winter of heavy snowfall has swollen the Red River in southern Manitoba, forcing an estimated 17,000 people out of their homes already. Over 50,000 people fled Grand Forks, North Dakota, last week as Red River overflow devastated the city, causing at least US$1bn in damage. The river has spread across e 25-mile-wide swathe of southern Manitoba and, at its peak, the flood will cover 1,000 square miles.

Winnipeg residents are growing worried by the rising waters, which could cause damage across the province in excess of C$100m (US$70m), said one Winnipeg insurance broker.

Officials, however, confidently predict the city will be spared the brunt of the flood by a 29-mile floodway and an extensive system of dykes.

"We're not going to be like Grand Forks," said Mrs Yvette Cenerini Turner, a Winnipeg emergency official.

The floodway, known as Duff's Ditch after the provincial premier who bad it built, withstood the so-called flood of the century in 1979, but estimates suggest this year's surge will rise higher. The Red River was expected to crest at Winnipeg on May 5 some 17 feet above normal levels.

"This is bigger than '79, so this is the real test [of the floodway]," said Mr Joe Czech, a provincial emergency official.

Parts of the city to the south of the floodway and bomes located along the river were still at risk. Hundreds of provincial emergency personnel bave been working alongside 3,000 federal troops to build barriers. The province has requested 7,000 more troops to help with preparations.

Emergency officials were worried that high winds yesterday might whip up the inland sea of water and send it pounding into dykes protecting southern Winnipeg and eight other communities in the Red River valley. Many dykes built around individual farms have failed to resist the water, now being called the Red Sea by locals.

Roughly 2-3 per cent of Canada's wheat crop is grown in the Red River Valley, according to Canadian Wheat Board data. A board official said the flood would delay planting in the region, but it was not yet clear how the flood would affect output in the valley.

The provincial agriculture ministry said the outcome depended largely on whether rain would hold off to allow the region to dry within a few weeks.


A Canadian air force helicopter evacuates Adrian Bouchard from his Manitoba farm home at the weekend AP

US new homes sales for March remain buoyant

Sales of new US homes dipped slightly last month, the Commerce Department said yesterday, but remained at a sturdy level as sales rates from December to February were revised upwards, Reuter reports from Washington.

Sales fell 2.5 per cent last month to a seasonally adjusted annual rate of 813,000 units after a revised 1.1 per cent gain in February to 834,000 units – the strongest sales pace since 857,000 in April 1986. Previously, the department said sales had fallen by 0.7 per cent in February to a rate of 811,000, instead of rising.

Wall Street economists had forecast that March sales would slip to a rate of 794,000, partly because higher interest rates and bad weather were expected to hit buyers' interest.

But housing remains buoyant, belped by strong job growth and income gains that have enabled more buyers to qualify for loans, even at higher rates.

The Federal Home Loan Mortgage Corporation said that rates for a 30-year mortgage loan averaged 7.90 per cent in March, up from 7.65 per cent in February and 7.62 per cent in March 1996.

Analysts say the ready availability of credit, especially low, introdnctory-rate adjustable mortgages, also helped sustain the bousing market.

The Commerce Department's npward revision of its estimates of monthly sales from December through February was an indication that the new-home side of housing began the year with more momentum than previously estimated and added more to economic growth than analysts had calculated earlier.

Sales of new homes in Marcb were running at a brisk 14.3 per cent above a year earlier, when they were selling at a rate of 711,000 a-year.

Inventories of new homes that were completed and ready for sale kept shrinking in March, creating more opportunity for builders to keep construction going as well as putting a floor under prices.

There were 297,000 houses for sale across the country in March, down from 307,000 in February. It was the smallest inventory of available new homes since April 1994, when there were also 297,000 on the market.

Housing demand is expected to level off gradually as the year wears on. There were signs of it last week in weaker sales of previously-lived-in homes in March.

Trade gap with US put on Caribbean agenda

By Canute James in Kingston

Caribbean leaders who will meet US President Bill Clinton in Barbados at the end of next week have agreed to raise several "related" economic and political matters, including the region's widening trade deficit with the US, according to officials from several regional governments.

Caribbean government ministers and their advisers have had a series of meetings over the past four weeks to refine the agenda for the summit on May 10. Several of the meetings have been attended by officials from the White House. The Barbados meeting will follow by three days a meeting between Mr Clinton and Central American leaders.

Caribbean leaders are concerned about the growing trade deficit, said by the Caribbean Community secretariat to be about $8bn a year, despite a US preferential trade programme for the region. The effect of the widening deficit has been compounded by a steady decline

US is concerned about narcotics

in official aid from the US government, moving from $226m in 1985 to $55m last year.

The US complaint to the World Trade Organisation about the EU'e preferences for bananas will also be raised in the summit, the official said. Several smaller Caribbean countries, mainly in the Windward Islands group, are heavily dependent on the EU market, and will be adversely affected if a preliminary WTO panel ruling against the EU preferences is upheld.

"The US is concerned about the movement of narcotic through the region from South America to North America," said one official. "We are also concerned about this, and this will also be discussed during the summit."

The region is seeking help in fighting the flow of narcotics. Jamaica and Barbados are negotiating aspects of a treaty already agreed by the US and several other countries, allowing access to territorial waters and airspace for US law-enforcement agents who are pursing suspected traffickers.

All these issues are related, said the official. "Generally, the region is seeking increased financial flows, debt relief or improved trade concessions."

AMERICAN NEWS DIGEST

Bomb wounds Bogotá leader

The vice-president of Colombia's House of Representatives was wounded in e car bomb explosion yesterday which killed one of his bodyguards.

The explosion came from a car parked on the roadside in the eastern Colombian state of Arauca and was detonated by remote control, radio stations reported.

Mr Julio Enrique Acosta went to hospital with neck and leg wounds, according to the reports, but the seriousness of the injuries was not known. He is a member of President Ernesto Samper's Liberal party.

There was no immediate claim of responsibility for the blast. The rebel National Liberation Army is very strong in the region, where it has kidnapped mayors and intimidated regional political leaders.

The explosion occurred as Mr Acosta was on the way to the airport, and killed s bodyguard employed by the national security agency, DAS, police said. They said Mr Acosta and another bodyguard, who was also burt, were taken to the Arauca General Hospital. *AP, Bogotá*

Advertising ban stands

The US Supreme Court yesterday rejected a constitutional free-speech challenge to e ban on billboards that advertise cigarettes or alcoholic beverages in many public places frequented by children.

The court's decision on the ban in Baltimore came just three days after a federal judge in North Carolina ruled that the US Food and Drug Administration can regulate sales and labelling of cigarettes but has no authority over advertising.

The decision to let stand the Baltimore ban was taken without any comment or dissent from the justices and does not create a nationwide precedent. But it could encourage other cities to adopt similar measures.

The Baltimore cases, involving two ordinances adopted in 1994 in an effort to reduce illegal smoking and drinking by minors, had been closely watched by the tobacco, advertising and alcoholic beverage industries.

The North Carolina judge never reached the constitutional free-speech question, ruling only on the more narrow issue that the FDA lacked the authority under the law to adopt the federal restrictions on advertising of cigarettes.

The Baltimore laws were challenged by Anheuser-Busch, the nation's largest brewer, and by Penn Advertising of Baltimore, which has a number of billboards in the city. *Reuter, Washington*

Lima firm over siege ending

Peru sought yesterday to capitalise on its successful military strike against Marxist rebel hostage-takers and quash lingering criticism of buman rights abuses in the raid and its aftermath.

"Everyone has applanded the government's decision and the way 72 people were rescued so cleanly and professionally," the justice minister, Mr Carlos Hermoza Moya, said. "We must not question the ever-so-clean and so beautiful way in which our men [soldiers] have given up their lives... to save the highly valuable lives of 72 hostages." Despite the subsequent death of one captive, the government claims the rescue achieved its goal because all were freed alive. All 14 hostage-takers died.

Mr Hermoza was the latest in a line of officials, including President Alberto Fujimori, to reject claims that two rebels were captured and executed during the raid and that families were kept from their bodies afterwards.

Those reports have threatened to tarnish the acclaim Peru has received from around the world for a military strike hailed as a great rescue operation. *Reuter, Lima*

Internet 'terror threat'

The threat of terrorism is likely to increase in the US as the Internet provides easier access to information on making bombs, the defence secretary, Mr William Cohen, said yesterday.

"It's a real threat," Mr Cohen said at a forum on terrorism held at the University of Georgia. "We are going to see information continue to spread as to how these weapons can be manufactured in a homegrown laboratory."

He said terrorist attacks such as the bombing of the World Trade Centre in New York City and the Oklahoma City federal building illustrated a growing threat. "It's likely to intensify in the years to come as more and more groups have access to this kind of information," he said.

He said precautions against unconventional arms must be intensified as potential terrorists developed chemical weapons, germ warfare and electromagnetic methods that could create holes in the ozone layer or trigger earthquakes or volcanoes.

There also has been speculation that scientists could develop ethnic-specific pathogens "so that they could just eliminate certain ethnic groups". *Reuter, Athens, Georgia*

Libyan immunity upheld

The US Supreme Court yesterday let stand a ruling that Libya has sovereign immunity shielding it from a lawsuit filed on behalf of a victim killed in the bombing of Pan Am Flight 103 over Lockerbie, Scotland.

The civil case was brought by Mr Bruce Smith, whose wife, Ingrid, was among the 259 people killed when a bomb exploded in a suitcase on board the aircraft on December 21 1988. Eleven peopla on the ground also died.

The lawsuit alleged that Libya was behind the bombing and charged that two Libyan agents carried out the attack. It named Libya, the Libyan Security Organisation and Libyan Arab Airlines, as well as the two Libyans.

A US Court of Appeals in New York in November upheld a federal judge's ruling dismissing the lawsuit against Libya for lack of jurisdiction. It said Libya enjoyed immunity under the foreign sovereign immunities law.

Before the appeals court, US government lawyers expressed concern about the foreign policy implications of letting the suit go forward, saying the US could be placed at greater risk in foreign courts. *Reuter, Washington*

Institutions' confidence grows as inflow to mutual funds rises fivefold

Boost for property investment

By Andrew Taylor, Construction Correspondent

Further evidence of a revival in commercial property iovestmeot by financial institutions was provided yesterday by a big jump in the amount of new money raised by property unit trusts.

New investment in the trusts (mutual funds) rose more than fivefold to almost £175m ($283.5m) in the first quarter of this year compared with just £32.6m in the first three months of 1996.

New money raised was 73 per cent higher than in the fioal quarter of last year, according to the Associatioo of Property Unit Trusts.

Its latest quarterly figures emphasise the extent of the revival of confideoce in commercial property by institutions which for much of the past 15 years have been reducing their property boldings.

The association said that the value of funds held by its members rose by 13 per cent to £2.97bn during the year to March.

Net investment in the first quarter, after taking into account redemptions, was £157.27m. Tbis compared with net investment of £81.18m in the previous three months and a net outflow of £10.09m in the same period a year ago.

Pricoa Property Investment Management, the Europeao property investment specialists, said: "Recent figures from the Office of Natiooal Statisttcs have suggested that pension funds have been reducing their direct boldings in property.

"The association's latest figures point to the fact that pensioo funds are increasingly investing indirectly in property unit trusts."

Since 1981, institutions hava reduced the proportion of their total investment in commercial property from almost 19 per cent to less than 5 per ceot. Recent studies, however, indicate that this trend may be starting to reverse.

A separate survay published yesterday by the Royal Institution of Chartered Surveyors said the confidence in the commercial property sector "was at its highest for at least three years". It said: "Although some new buildings are under construction, the time delay before supply can be increased to meet demand is inevitably pushing np rents."

Further upward pressure on rents was likely to be caused by building costs which were forecast to rise over the next two years. It warned that the shortage of homes was leading to acute price rises in some areas.

● Jones Lang Wooton (JLW) international estate agents and real estate advisars announced yesterday that it was marging with Richard Main, City of London property specialists, taking the total amount of City office space managed by JLW to more than 6.4m sq ft.

Brothers connect with British board business

Latest acquisitions make US newcomer the leader of European printed circuit sector

Jim and Bob Mills – two brothers with seven decades of collective experience in US industry – have recently been spending a lot of time examining the UK printed circuit board sector. They like what they have seen.

Twice in the past two months the Mills brothers, chairman and president respectively of Viasysteois, a US PCB maker set up only last year, have swooped to buy two leading UK board manufacturers.

Last mooth, Forward, a publicly quoted group, became part of Viasystems for £129m ($208m). Viasystems paid an undisclosed sum earlier this month to take over the privately owned Interconnection Systems, the UK's biggest PCB producer and ooe of the country's fastest growiog tecbnology companies.

The purchases have made Viasystems Europe's biggest maker of PCBs, which are essential components for most types of electronic equipment.

Production this year from the company's Forward and Interconnection plaots is likely to reach about $400m, of which half will be for export. This will mean tbat some 45 per cent of the UK's total output of PCBs will be under the cootrol of a company formed with a $2bn "war chest" for buying up PCB makers.

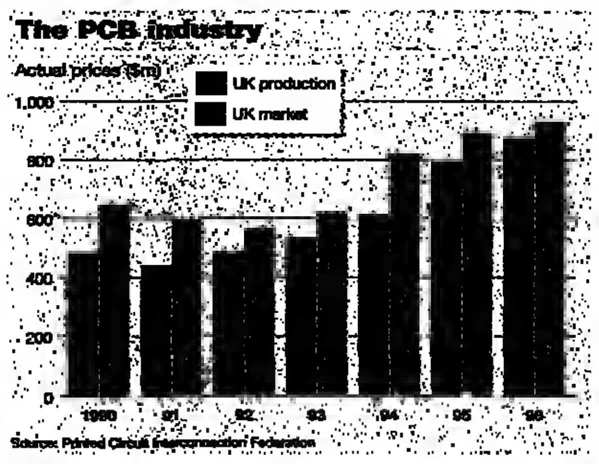
Britain is the second biggest maker of PCBs in western Europe after Germany, accounting for about 17 per cent of the $5.2bn worth of board output last year

"The UK has a good cost base, and excellent management," says Mr Bob Mills. Moreover, the industry in the UK has a growth record stronger than anywbere else in Europe, partly because of stroog domestic demand but also on the back of healthy exports expansion.

Last year, UK output of boards totalled $878.2m, according to the UK Printed Circuit Interconnectioo Federation, the trade body for the industry. Production was up 80 per cent on 1992, a low point for the sector linked to the early 1990s recession. Over tbe same period, exports more than doubled, from $112m to $253m.

Britain is the second biggest maker of PCBs in western Europe after Germany, accounting for about 17 per ceot of the $5.2bn worth of boards made in western Europe last year. Tbe UK iodustry consists of about 150 companies, most of them of small or medium size and which are subcontractors, usually to much larger electronics companies.

According to Mr Brian Haken, director of tbe Printed Circuit Interconnection Federation, the industry has been helped both by a concentration of electronics groups in Britain and by a big effort by board makers to improve productivity and design akills. Output per person in the industry climbed oearly 70 cent in the four years to 1996.



Tbe performance record bas convinced the Mills brothers that Britain should be an essential part of their plans to boost Viasystems's sales from an expected $1bo this year to up to $2bo in two years' time. Among the company's rivals are Mommers of the Netherlands and Ruwel-Werke and Mayer of Germany, along with CMK of Japan, which ts the world's biggest PCB producer.

According to Mr Bob Mills, the company is considering 12 more acquisitions – four in mainland Europe, three in Asia and five in north America – to add to the two it made last year in the US and Canada and its two recent UK purchases.

By the end of the century, the goal is to have a string of PCB plants around the world which can act as "satellite" manufacturing sites for multinationals which want the same standards of design and quality for their boards, whether they are manufacturing in India or Ireland.

About two fifths of Viasystems' output is likely to go to telecommunications companies, with the rest going mainly to businesses making computers, car parts, aerospace equipment and industrial machinery.

Bankrolling the Mills brothers' vision is Hicks, Muse, Tate & Furst, a Dallas-based investment group which has put np the funds for the acquisitions and is Viasystems' majority owner.

Peter Marsh
Chris Tighe

Army fails to find extras for Spielberg

By Alice Rawsthorn in London

Steven Spielberg, the Oscar-winning director, is considering transfering part of the production of his film, *Saving Private Ryan*, from England to the Republic of Ireland because of a shortage of extras.

DreamWorks, the US entertainment group co-founded by Mr Spielberg, wants to use 1,000 male extras, preferably professional soldiers or Territorial Army volunteers, to re-enact the D-Day landings for the movie, which stars Tom Hanks.

The Army yesterday said it was unable to meet Mr Spielberg's requirements, explaining it does not hava enough troops available.

Some 28 per cent of British soldiers are deployed in Bosnia, Northern Ireland or providing cover for a fire brigade strike in England. A further 30 per cent of troops are training.

Mr Spielberg is eager to use real troops for *Saving Private Ryan* because he wants them to have an authentically tough, athletic air. The extras must be fit enough to race in and out of the sea carrying heavy equipment during filming.

DreamWorks representatives will visit Ireland today to view locations. They will discuss possibly using Irish territorials, who acted as extras in the battle scenes of Mel Gibson's *Braveheart*.

The British Film Commission said it was doing "everything possible" to ensure the whole of *Saving Private Ryan* was filmed in England. It faces fierce competition for US productions from Ireland, where film makers qualify for tax breaks. Several ostensibly "British" films, including *Sweeney Todd* and *Moby Dick*, are being shot there.

Hollywood blockbusters made in the UK, including *Mission Impossible* and *The Saint*, have fuelled the film industry's revival.

UK NEWS DIGEST

Bomb at Sinn Féin office

A car bomb containing 50kg of explosives was defused by the British army yesterday outside a Sinn Féin office in Belfast, the capital of Northern Ireland. The bomb was packed into a beer keg in the back of a white car believed to have been stolen in the city in January.

Mr Gerry Adams, Sinn Féin presideot, accused anti-republican "loyalists" of planting the device. It was similar to a bomb left close to another Sinn Féin office in the republican New Lodge area of the city several weeks ago. Houses and businesses were evacuated for more than two hours yesterday while the bomb team carried out two controlled explosions before declaring the device safe.

The alarm was raised by a telephone caller to a local radio station who gave no recognised codeword and named no organisation as being responsible. Homes in part of the Catholic Bawnmore estate at Newtownabbey on the northern outskirts of Belfast were yesterday evacuated in a bomb alert which turned out to be a hoax.

■ NORTH SEA FIELDS

Oil and gas output at record

Oil and natural gas production in the North Sea reached a combined record last year and represeoted 2.5 per cent of the UK gross domestic product, the government's annual energy report said yesterday.

A total of 130m tonnes of oil was produced, slightly down on a year earlier. The decline was more than offset by a sharp increase in gas output to 89.8bn cu m, compared with 75.4bn cu m in 1995. Possible remaining oil reserves are estimated at 2025m tonnes, with maximum possible gas reserves at 1960bn cu m.

Development activity in the sector was at record levels, with 261 wells having been started in 1996 compared with 244 a year earlier. There was also an increase in exploration and appraisal wells, which numbered 112 compared with 98 in 1995. Total investment in the sector was up 3.5 per cent to £4.4bn ($7.12bn). *Robert Corzine, London*

■ CHANNEL RAIL PAY TALKS

Eurostar may improve offer

Eurostar is expected to improve its pay offer to managers who work on trains between Londoo and mainland Europe when talks resume later this week with the Associated Society of Locomotive Engineers and Firemen (Aslef), the train drivers' union, after it was announced yesterday that they are to be balloted for industrial action.

The 130 managers, who are esseotial for ensuring safety on the trains that run through the Channel Tunnel and act as relief drivers, will be asked to back a series of 24-hour strikes. They have already rejected a company offer that would have increased their salary to over £21,000 ($34,000) a year. At present the managers earn between £18,000 and £19,000 under 30 different rates of pay.

"The managers are seeking a sensible wage structure which reflects the rate for the job and for the very respoosible duties they have to carry out", Mr Lew Adams, Aslef's general secretary, said yesterday.

In a separate development, Aslef also said that staff employed on Le Shuttle trains running transport cars between the English and French coasts might also be involved in stoppages over the issue of trade union recognition. *Robert Taylor, London*

LEGAL NOTICES

NOTICE TO SHAREHOLDERS

To the shareholders of MONTAGU PROPERTIES LIMITED, a company incorporated under the laws of the Republic of Liberia.

Notice is hereby given of a meeting of shareholders of MONTAGU PROPERTIES LIMITED to be held at The Century Hotel in Geneva, Switzerland on the 10th day of May 1997 at Noon for the following purpose:

To increase the capital of the company from US$5,992,772.00 to US$8,092,772.00 to be effected by the issuance of new shares.

This Notice is given pursuant to Clause D of the Articles of Incorporation of the company dated the 19th day of March 1980.

A copy of the proposed Resolution can be obtained from the company's solicitors, Messrs Constant & Constant of Sea Containers House, 20 Upper Ground, London SE1 9QT, marked for the attention of MJ Brewster.

Dated the 25th day of April 1997, Geneva, Switzerland

By order of the Board of Directors
MONTAGU PROPERTIES LIMITED

1997 No. 46 Con Ct 6
THE HIGH COURT
IN THE MATTER OF:
NOBEL RESOURCES PLC
(formerly Kish Resources Plc)
AND IN THE MATTER OF:
THE COMPANIES ACTS, 1963 - 1990

NOTICE is hereby given that on 24 April 1997 the Order of the High Court made on 7 April 1997 confirming the reduction of the capital of the company by the cancellation of the issued Deferred Shares (numbering 16,554,252) and by the cancellation of the remaining unissued Deferred Shares numbering 43,479) and by the corresponding reduction in the amount of IR£2,504,550 standing to the debit of the Profit and Loss Account of the Company as altered by the aforesaid order was registered with the Registrar of Companies pursuant to Section 75 of the Companies Act 1963.

Dated 25 April 1997
Signed: William Fry, Solicitors, Fitzwilton House, Wilton Place, Dublin 2

INSOLVENCY ACT 1986
S.A.H. REALISATIONS LIMITED (formerly Sheffield Auto Hire Limited)
S.A.H.C.H. REALISATIONS LIMITED (formerly Sheffield Auto Hire Contract Hire Limited)
SHEFFIELD AUTO HIRE TRAILER RENTALS LIMITED
FRANKERN MOTORS LIMITED
F O PROPERTIES (SHEFFIELD) LIMITED
PRINCIPAL PLACE OF BUSINESS: LAWRENCE STREET/FERGUSON STREET/BAKER STREET, SHEFFIELD
(IN ADMINISTRATIVE RECEIVERSHIP)

NOTICE IS HEREBY GIVEN pursuant to Section 48 of the Insolvency Act 1986 that a Meeting of the unsecured Creditors of the above named Companies will be held at The Law Society Hall, 8 Campo Lane, Sheffield S1 2EF on 7 May 1997 at 10.30am for the purposes mentioned in Section 48 and 49 of the said Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

a) they have given to the Joint Administrative Receivers, not later than 12.00 hours on the business day before the day on which the meeting is to be held, details in writing of the debt that they claim to be due to them from the Companies, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986 and

b) there has been lodged with the Joint Administrative Receivers any proxy which the creditor intends to be used on their behalf.

Dated April 24 1997
DAVID JOHN STOKES and EDWARD KLEMPKA
Joint Administrative Receivers

NOTE Creditors of the Companies requiring copies of the Joint Administrative Receivers' report may obtain it free of charge, on written application to the Joint Administrative Receivers at Coopers & Lybrand, 1 East Parade, Sheffield S1 2ET.

Banks face 'dirty money' jibe from US

By John Mason, Law Courts Correspondent

UK bankers and financial services professionals could be prosecuted under US anti-money laundering laws because staff are inadequately trained to spot the proceeds of crime, a conference in London will be told today.

"New York sends dirty money to London," Mr John Moscow, the senior assistant district attorney of Manhattan, said at a press conference in the British capital yesterday.

"I'm not looking for a aquabble, but I think that money laundering is a problem and banking secrecy is a big thing. There are some people who think there should be banking secrecy and no questions asked. I disagree."

A survey published yesterday revealed that one in five officers in banks and other financial institutions who are responsible for reporting suspicious transactions have received inadequste training for their legal obligations.

This could put them and their employers at risk from a robust US initiative to use extra-territorial powers to combat money laundering, Mr Rowan Bosworth-Davies, a financial crime specialist with City of London law firm Titmuss Sainer Dechert said. The survey, carried out by Mr Bosworth-Davies and paid for by the Financial Times Financial Publishing, polled 260 money laundering reporting officers (MLROs) in banking and other financial services.

His remarks were underlined by Mr Moscow, who recently prosecuted three Venezuelan bankers for laundering money through New York.

Mr Moscow said the US authorities were entitled to step up their use of draconian extra-territorial powers against foreign banks and institutions.

However, both the survey's findings and the US initiative were questioned by the British Banker's Association. It insisted that training standards were high.

Under the initiativa, ordered by President Bill Clinton in 1995, US authorities have raised the stakes in their efforts to persuada other countries to tighten their anti-money laundering procedures.

This includes prosecutors, notably in Manhattan, serving notice that they intend to take punitive extra-territorial action over any dollar-based transactions of more than $10,000 that pass through New York, however briefly.

A dollar-based money laundering transaction from, for axample, London to Geneva would almost certainly come under the jurisdiction of the US courts because the cash would most likely have passed through the New York clearing bank system, if only for a matter of seconds and in the form of a series of electronic blips.

Increased use of these powers could result in non-US institutions having their assets seized and personnel extradited to the US to face criminal charges.

The survey report said 20 per cent of respondents failed to receive satisfactory training on spotting money laundering and their legal obligations to report suspicious transactions to the National Criminal Intelligence Service (NCIS). Of these, seven per cent received their training from the British Banker'a Association before 1990 when the UK money laundering regulations came into force, and 13 per cent sdmitted they had received no training.

A BBA spokesman said the US and UK agreed on the need to clean up financial markets and put "bad guys" behind bars. But he said: "I don't believe the US has a monopoly on justice."

Labour plays down 'landslide' expectations

By John Gapper in London

The general election campaign

The Labour Party yesterday attempted to play down growing expectations that it will win a landslide victory in the general alection on Thursday, insisting that it intended fighting for every vote.

Mr Tony Blair, the party leader, emphasised that Labour would continne campaigning until the last minute, despite gaining leads of about 20 percentage points in the latest opinion polls.

The ruling Conservative party also attempted to cast doubt on opinion polls, and to avoid being drawn publicly into speculation on which senior party figures would take part in a contest to succeed Mr John Major as party leader.

Despite these efforts, there was a growing consensus that Labour is in line to end 18 years of Conservative government in Britain, having apparently managed to avoid any serious narrowing of its large opinion poll lead.

Mr Blair continued to emphasis Labour's theme over the past few days of the campaign – that voters could allow the Conservatives back into government througb complacency. He said his party "would be taking nothing for granted".

The Labour party is widely regarded as having relaxed its guard in the last days before tha 1992 general election, when it had a narrow opinion poll lead.

At that time, Mr Major led the Conservatives to an unexpected victory, defying all the expert predictions.

Mr Blair concentrated his day's campaigning on the prospects for the National Health Service, the publicly-funded medical system, if the Conservatives were re-elected. He argued thet the NHS would be "better and fairer" under Labour.

Labour has promised to add an extra £100m to the NHS annual bndget of £35bn if elected, and hopes to transfer some of the £4.5bn spent annually on administration into patient care. It has ruled out raising taxation to help further. Mr Blair said that he did not think the UK was "a landslide country", despite opinion poll ratings that would give Labour a majority of up to 200 in the 659-seat House of Commons if they were translated into votes on Thursday.

Mr Michael Heseltine, the deputy prime minister, said that he believed in "fighting to the last man and the last round", and doubted the poll findings. He said a large number of the voters had not yet made up their minds.

Conservative hopefuls look beyond Major

Contenders discreetly stake their claims as defeat looms

The campaign to become the next leader of the Conservative party has inevitably been a quiet affair. It is not in the interests of any contender to make his or her candidacy known yet. Anyone interested must first await tha party's widely-expected election defeat on Thursday.

The emergence of contenders to succeed Mr John Major as party leader would not be long delayed. With the prospect of a Labour victory and the likelihood of Mr Major stepping down after the election, several senior party figures would be eager to declare their hands to gain an early edge.

The election by the party'a members of parliament could be a divisive event. Since the Conservative party has been in power for 18 years, the shock of losing office would be likely to lead to recriminations. Hardline opponents of European integration may well blame pro-Europeans for the election defeat.

The opposition of most in the party to the UK participating in a European single currency means that rightwingers would have an early advantage. The two most obvious candidates of the right are Mr Michael Portillo, chief defence minister, and Mr John Redwood, a former cabinet member.

Mr Portillo was seen as the leading rightwing contender until 1995, when Mr Major called a snap leadership election to gain a mandate for his policies on Europe. Mr Portillo exposed himself to ridicule by not standing while installing extra telephone lines just in case.

Mr John Redwood, a fellow of All Souls College at Oxford University and former broking analyst, exploited the gap by resigning from the cabinet to stand against Mr Major. While appearing too cold and intellectual to make a good prime minister, Mr Redwood won points for courage.

Yet Mr Portillo has since won back respect and has fought a loyal campaign. By contrast, Mr Redwood has tried to push Mr Major towards ruling out a single currency. The result is that Mr Portillo would again be the leading rightwing contender despite doubts about his judgment.

Two potential candidates for the Conservative leadership at opposite ends of the age scale are William Hague (left), at 36 the youngest member of the Major cabinet, and Michael Heseltine, 64, the strongly pro-European deputy prime minister who attempted to win the leadership in 1990 after the ousting of Margaret Thatcher. Neither is likely to lose his seat in the House of Commons even if Labour wins the national election on Thursday

A rightwing alternative might be Mr Michael Howard, the home secretary, who has won party popularity for his tough policies on imprisonment and immigration. However, aven his supporters acknowledge that many ordinary people see him as mean-spirited, and wrong to lead the country.

An obvious alternative to Mr Portillo is Mr William Hague, the 36-year-old chief minister for Wales, who leapt to prominence when he spoke at a party conference when he was only 16. Mr Hague has flourished into an adept and popular politician within the Conservative party.

Many Conservatives see him not only as a suitable compromise between the party's left and right wings, but a good challenger to Mr Tony Blair, the Labour leader.

On the left, Mr Kenneth Clarke, the chancellor of the exchequer, is regarded as a heavyweight candidate despite the unpopularity of his insistence that the party should not rule out joining a aingle currency in 1999. Mr Clarke is widely respected for his solid good sense and liberal Toryism.

It has been widely assumed that Mr Michael Heseltine, the 64-year-old deputy prime minister, was too old to stand as a candidate.

However, indications are that the pro-European Mr Heseltine might stand and strike a deal with Mr Clarke to step down at a suitable moment for the latter to succeed him.

Another candidate on the left of the party whose hat is clearly in the ring is Mr Stephen Dorrell, health secretary. However, Mr Dorrell's barely-concealed attempt to gain favour on the right by portraying himself as a sceptic about Europe in a speech did him little good.

The wild card is Mr Chris Patten, governor of Hong Kong, who loses his job in June when the territory is handed back to China. In his favour, Mr Patten is a friend of Mr Major, but he would have to recapture a Commons seat at a by-election to have a chance of becoming the Conservative leader.

John Gapper

Appeal to anti-EU group to aid Tories

Mr Paul Sykes, the buainesaman providing financial backing to Eurosceptic Conservative candidates, yesterday issued an appeal for the Referendum party to withdraw from districts where Tory [Conservative] candidates publicly oppoae a single European currency, Liam Halligan writes.

"If your candidates stand, as many are doing, in marginal constituencies, splitting the vote, they will allow Labour and Liberal Democrats to get elected," Mr Sykes told Sir James Goldsmith, the leader of the Referendum party. "It would be regrettable for us all if the Conservatives were to lose by only 15 or 20 seats, allowing these two federalist parties into power."

The Referendum party is standing in 547 of Britain's 659 constituencies, avoiding 93 seats on its "white list", where Conservative candidates have an anti-integrationist record.

Editorial Comment, Page 17

More news of the election campaign can be found at the Financial Times website http://www.FT.com where each district's result will be shown as it is declared after voting on Thursday

LAW

German sex law overruled

EUROPEAN COURT

German laws which made the payment of damages for sex discrimination subject to proof of fault were contrary to European law, the European Court of Justice ruled.

The case arose out of proceedings brought by Mr Nils Draehmpaehl against Urania Immobilienservice ohG. The company bad advertised for a female assistant in sales management. Mr Draehmpaehl applied, but Urania did not reply to his letter nor return his documents. He claimed be was the best qualified applicant and alleged sex discrimination.

The Hamburg Labour Court found in bis favour but referred four questions to tbe Europeao Court. It asked first whetber tbe European Equal Treatment Directive precluded provisions of domestic law which made compensation for sex discrimination dependent on proving fault.

The Court referred to an earlier case, and reiterated that any breach of the prohibition of discrimination must, in itself, be sufficient to render the employer fully liable, without there being any possibility of invoking exemptions under domestic law. Therefore, the court did not consider relevant the argument of the German government that proof of fault was easy to adduce under German law.

By its second and third questions the national court asked whether the directive precluded provisions of domestic law which placed a ceiling of three months' salary on the amount of compensation in such cases. It also asked whether the answer to that question also applied where the person discriminated against would not have obtained the position anyway because the applicant chosen bad superior qualifications.

The Court noted that even though the directive did not impose a specific sanction on member states, nonetheless, it obliged them to adopt measures which were sufficiently effective for achieving the directive's aim to ensure that those measures might be effectively relied on before national courts.

The directive required that if a member state chose to penalise a breach of the prohibition of discrimination by award of compensation, that compensation had to be such as to guarantee real and effective judicial protection, bave a real deterrent effect on the employer and be adequate in relation to the damage sustained.

The Court observed that member states had to ensure that infringements of European law were penalised under conditions, procedural and substantive, which were analogous to those applicable to infringements of domestic law of a similar nature and importance.

The court concluded that the German provisions which prescribed an upper limit of three months' salary for compensation for sex discrimination were contrary to the directive.

However, it also concluded that reparation could take account of the fact that if there bad been no discrimination, some applicants would not have obtained the job.

Such applicants bad not suffered to the same degree as those who would bave obtained the job if there had been no discrimination. It was not unreasonable for a member state to lay down a statutory presumption that the damage suffered by such an applicant could not exceed three months' salary.

Finally, the Court said the directive precluded domestic laws which imposed a ceiling of six months' earnings on the aggregate amount of compensation, which where several applicants claimed damages could be claimed by applicants who bad been discriminated against on grounds of sex.

C-180/95: Nils Draehmpaehl v Urania Immobilienservice ohG, ECJ FC, April 22 1997.

BRICK COURT CHAMBERS, BRUSSELS

INTERNATIONAL PEOPLE

Boston elects Stern to top job

Carl Stern, who joined the Boston Consulting Group 23 years ago after graduating top in his MBA class, has been elected president and chief executive of the strategy consultancy firm. He succeeds John Clarkeson, who will remain as chairman.

Every three years an election is beld for the chief executive position at BCG. Voting is by the firm's 200 worldwide partners.

Clarkeson has held the position since 1985 and announced that he would not stand for re-election for a fifth term when be was elected in 1994. He is widely credited with giving the firm a common direction and setting a vision which has brought all the partners on board.

Stern, aged 51, is a senior vice-president, co-chairman of BCG's Americas region and a member of the firm's executive committee.

He bolds an MBA from Stanford University's graduate school of business. He joined BCG in 1974 and spent two years in the firm's London office before leading the Chicago office – one of the most successful within the firm – from 1981 to 1991. His practice spans consumer packaged goods, financial services and industrial companies, most of which are global in scope. One industry observer described him as being both a "safe pair of hands" and an innovator.

Privately bald BCG is a main competitor to McKinsey and was the first consulting group to specialise purely in strategy.

Lisa Wood, London

New chief at grain processing group

Allen Andreas has succeeded his uncle, Dwayne Andreas, as chief executive of Archer Daniels Midland, the US-based grain processing group.

The new CEO is well suited for ADM's global business. He is a 25-year veteran of the company and spearheaded ADM's international expansion. He has lived in London for six of the past eight years, opening the company's first European offices in 1989.

He returned to Illinois in 1994 to become a special adviser to the board, and in that role gained the support of important institutional shareholders. While some shareholders have painted his appointment as a dynastic handover – Dwayne Andreas continues as chairman – he is proud of his family's record. "If you had invested $1,000 in ADM 30 years ago, when my family began managing this business, you would have $100,000 now," he observed. "I think that growth is sustainable."

Allen has three immediate challenges. The first is to convince institutional investors and long-time shareholders that the grain processing and merchandising company has put its troubles with the US government in the past.

The second is to guide ADM through a difficult period where rising raw materials prices and staunch competition are trimming margins.

Finally, there is the delicate matter of his own appointment. The 53-year-old executive succeeds his 79-year-old uncle, Mr Dwayne Andreas, a flamboyant leader with unparalleled global connections, who held ADM's tiller for 30 years.

The senior Mr Andreas' record was blackened during the last two years as the US government collected evidence that ADM participated in a global price-fixing scheme for food and feed additives it produced.

The company settled with the US Justice Department last year and agreed to pay $100m, a record in any US price-fixing case. With recent settlements of civil cases brought by shareholders the tab has risen to nearly $200m.

Perhaps the greater price for the company, which had $13bn in sales last year, was one of investor confidence. Soon after the government investigation came to light, shareholder activists pressured ADM to reform its board. That reform is in progress and Allen says the company is ready to move on.

Laurie Morse, Chicago

Ramaphosa joins Anglo American

Cyril Ramaphosa, the former secretary-general of the African National Congress, and Mzi Khumalo, who spent 12 years as a political prisoner under the apartheid regime, have been appointed to the main board of Anglo American, South Africa's largest company.

The appointments are the culmination of a three-year process which began on the eve of the first all-race election in March 1994, when Anglo offered to sell Johnnic, a R10bn industrial holding company, and JCI, the world's sixth largest gold producer, to black investors to promote black economic empowerment.

Ramaphosa, who quit politics in May last year to pursue a business career, was appointed chairman of Johnnic after be marshalled the rival trade union and business groupings who took control of Johnnic in August. As the founding president of the National Union of Mineworkers, his appointment to the Anglo board has been widely cited as a measure of South Africa's political transformation since the end of apartheid.

Outside the financial services industry, Khumalo, who was jailed for 12 years with Nelson Mandela on Robben Island, was a little known figure until be became chairman of Capital Alliance, a black-controlled investment holding company. There he led Africa Mining Group's successful bid for Anglo's controlling stake in JCI and took over as chairman last month. Anglo will retain a minority stake in both companies.

Mark Ashurst, Johannesburg

ON THE MOVE

■ PHILIPP HOLZMANN, Germany's largest construction group, has appointed Carl von Boehm-Bezing as the new head of its supervisory board. Boehm-Bezing, also a member of Deutsche Bank AG's management board, takes over from Hermann Becker, who resigned early in March.

■ BANK OF WESTERN AUSTRALIA has appointed Terry Budge as chief operating officer.

■ GAYLORD ENTERTAINMENT has appointed Terry London, its chief operating officer, president and chief executive officer of the company from May 1 with the retirement of E. W. Wendell, who has been president since 1978. Wendell, who is 69, will remain a consultant to the company.

■ Gilles Leflambe has been appointed as head of product management for the Society for Worldwide Interbank Financial Telecommunications, the bank-owned co-operative supplying secure messaging services and interface software to financial institutions. He will have worldwide responsibility for the conception and development of SWIFT's products and message standards.

■ CORNERSTONE IMAGING, a provider of monitors and graphics controllers for computing applications, has appointed Mark Lewis as managing director Europe. He will be responsible for sales, marketing and operations for Cornerstone European, Middle Eastern and African regions.

■ NELSON HURST has appointed David Batchelor to head its Asia Pacific Region.

■ SONAE INVESTIMENTOS has appointed two new board members and one new director for a four-year period. Antonio Borges, Bank of Portugal vice-governor and Paul Orchard-Lisle, president of Reading University, have been appointed to the board. Jose Peneda, former Minister for Employment and Social Security becomes a director. Sonae Investimentos is the holding company which oversees Portugal's largest retail and financial group.

■ CROATIA AIRLINES' supervisory board has appointed Ivan Misetic, chief of protocol to president Franjo Tudjman, as company president to replace Matija Katicic.

■ Antonio Finocchiaro has been appointed as a BANK OF ITALY vice-director-general, replacing Tommaso Padoa Schioppa who was recently appointed as chairman of Consob, the Italian stock market regulator. Finocchiaro joined the Bank of Italy in 1961 and has been secretary-general since 1985.

■ UNION BANK OF SWITZERLAND has appointed Stevan Lambert as managing director of its fixed income, currency derivatives and debt capital markets business in East Asia, based in Singapore. He was previously managing similar businesses for Merrill Lynch in Australia and London.

■ Irish-based BULA RESOURCES has announced that Jim Stanley has resigned as chairman and chief executive of its oil exploration and production group. Tom Fitzpatrick will be the interim chairman.

■ ASAHI BANK has appointed a new president and chairman to cope with Japan's "Big Bang" financial reforms. Tatsuro Ito, one of the bank's two deputy presidents, will replace Shigehiko Yoshino as president, while the other deputy president, Tadashi Tanaka, will replace Kosuke Yokote, the chairman.

■ The FEDERAL BANK OF NEW YORK's board of directors has promoted three officers in the markets group to senior vice-president. They are: Pauline Chen, who has been given additional responsibility for the discount window; Dino Kos, who has been responsible for foreign exchange operations since January 1995 and Sandra Krieger, who has been responsible for domestic open market operations since January 1995.

■ ACCLAIM ENTERTAINMENT has promoted Fabian Nicieza from senior vice-president to president and publisher of its comics unit, Acclaim Comics. Acclaim Entertainment publishes entertainment software for Nintendo, Sega, Sony and personal computer hardware systems.

■ David Bauer, formerly a managing director at Lehman Brothers, has left to become a co-head of US fixed-income sales at CREDIT SUISSE FIRST BOSTON.

■ ECI TELECOM has appointed Jonathan Kolber as chairman. He replaces Yoseph Rosen, who is resigning although be will remain a member of ECI's board. ECI based in Israel, designs, develops, manufactures and markets digital telecommunications and data transmission systems.

■ TCHIBO HOLDING has formed a five-strong management board at Eduscho, the coffee roasting company which it bought last December. Tchibo said it would retain Hans-Werner Eckhoff (procurement and production) and Bernd Schmielau (personnel and legal matters). It has appointed Reinhold Moebs, formerly of Procter & Gamble, as marketing head. Tchibo also added two of its own managers to the Eduscho board - Hasso von Duering as sales director and Rainer Kutzner to head finance/systems. Hartmut Felgen, the former Eduscho sales head has left the company.

■ SINGAPORE PETROLEUM COMPANY has appointed Jacobus Johannes Rinck, its executive president, as its executive director. Rinck was also appointed director of Singapore Refining.

■ Claes Bjoerk, a senior vice-president of SKANSKA and head of Skanska's US business area, has been appointed president and chief executive of Skanska from August 1. He will replace Melker Schoerling, who will take over as chairman of Skanska at the annual general meeting on May 5 from Percy Barnevik, who will become chairman of Investor. Bjoerk has been with Skanska since 1967. Since 1995 be has been a member of Skanska's group management.

■ Katsura Morita, chairman of TAKEDA CHEMICAL INDUSTRIES, will step down on June 27. No replacement has been announced.

International appointments

Please fax information on new appointments and retirements to +44 171 873 3926, marked for International People. Set fax to 'fine'.

TECHNOLOGY

Bruce Dorminey on the Gaia project's proposals for seeking out faraway planets

The gift of far sight

Planetary detection outside our solar system is difficult enough, but detecting other worlds en masse at distances of more than 500 light years seems closer to fiction than fact.

But advocates for the proposed Global Astrometric Interferometer for Astrophysics (Gaia) hope to do just that.

Gaia, which is competing for $650m (£401m) of funding from the European Space Agency, would survey 50m stars optically, fixing their exact positions, motions and parallaxes – apparent differences in position when viewed from several places.

Then it would use astrometric displacement, the gravitational shift that a planet exerts on its host star, to detect planets with a mass similar to that of Jupiter or a planet much larger than Earth from a field of 500,000 stars at an average distance of 200 parsecs, or 652 light years. It might even detect soma Earth-like planets within 6 parsecs – about 20 light years.

Gaia's ultimate fate will not be known until 2000, when the agency must decide between it and a rival scheme called Darwin*. *If* Gaia proceeds, the proposed five-year mission would begin on the back of an Ariane 5 launcher, possibly by 2010.

From a geostationary orbit, Gaia would use either two or three Fizeau interferometers, each akin to a telescope whose primary mirror has been broken and reassambled with some parts missing, to give an image equal to that of a 4m telescope.

Each comprising two pairs of 50cm mirrors about 3m apart, the interferomaters would combine the light, with the colliding photons acting like merging wakes from two speedboats. The resulting interferometric image would leave Gaia with the ability to make such distant and extremely accurate measurements.

"Our primary objective is to understand what's going on with the stars within the galaxy," says Michael Perryman, an agency scientist conducting the Gaia study. "As a by-product we have a good instrument for picking up signatures of planetary systems. If the occurrence of a Jupiter-mass planet around a star has a probability of one in a 100 and we look at 500,000 stars, then we're going to pick oot a few thousand."

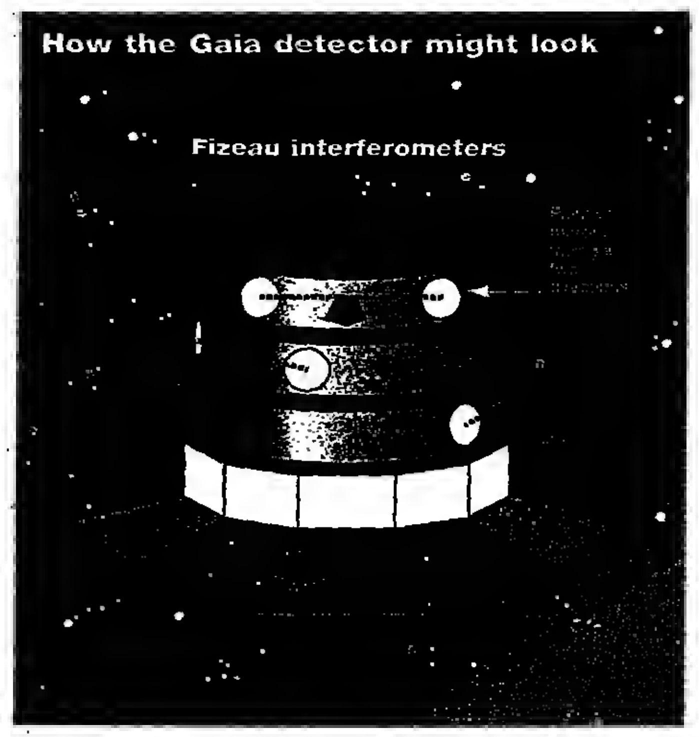
At any given moment, Gaia's field of view would comprise 1,000 stars. The satellite would rotate at three times the speed of the minute hand of a clock, eventually covering the whole sky.

Each angle it measured would represent the distances between the stars, while shifts towards and away from a distant background star in relation to Gaia's own position would indicate a parallax and give the star's relative distance from the satellite. Gaia would then measure for the sort of astrometric displacement that could signal a planet.

Perryman likens the whole process to a grand geodetic survey, in that Gais would ultimately measure everything in respect to everything else: a star's direction, how fast it is moving through space, whether another star is circling it and whether another planet is orbiting it.

Tha agency aims to choose betwaen the two proposals, although they both offer complementary forms of planetary detection. While Gaia is indirect or based on astrometrics, Darwin's is a direct method, which would use infra-red technology on a flotilla of small telescopes free-flying through deep space.

In contrast, Nasa, the US space agency, has outlined its own Origins program with both methods of planetary detection. It is proceeding with plans for a Space Interferometry Mission (Sim) that is expected to be launched on an American Delta rocket by 2005.



From low Earth orbit, Sim would also use astrometric displacement to search for planets down to a few Earth masses. But the Nasa version is not a survey instrument like Gaia. It would point at every target, focusing on aome 100,000 stars, including doing planat searches around 20,000 stars within 40 parsecs. And it promises precision equal to that of measuring the thickness of a coin at a distance from tha Earth to the Moon.

"We opted for higher accuracy and sensitivity, rather than Gaia's slightly lower accuracy, much lower sensitivity, and truly gigantic quantity of stars," says Mike Shao, Sim's project scientist at Nasa's Jet Propulsion Laboratory in California. "Wa'd likely look for planets in the galaxy's star-forming regions, around stars in the spiral arms, and around stars in globular clusters in the galactic halo."

Even so, the technical challenges for both Sim and Gaia remain formidable. Nasa is designing and building a scaled-down version of Sim that will test inside a vacuum chamber. It says trials have shown the satellite's vibrations can be reduced to stability levels at which tha optics will be accurate to within fractions of a nanometre – a thousand millionth of a metre.

Gaia is not that far along, having finished only a general feasibility assessment, although the agency plans to begin an official first-phase industrial study in September.

Before any of these projects get off the ground, a less ambitious approach is planned by CNES, the French space agency. It plans to launch, from Russia, a $45m, 30cm photometric telescope, which observes the full spectrum of light, by the end of 2002. From a low Earth orbit, it will survey 10,000 stars near the galactic plane at the centre of the Milky Way.

During its three-year mission, it would observe stars over 150-day periods in the hope of recording a dip in their brightness. That might mark a lucky strike – the signature of an orbiting Earth-mass planet close enough to the host star to cross the telescope's line of sight.

**An article on Darwin appeared on April 15*

Latex allergy solution

Allergic reactions to latex, the milky fluid from rubber trees, are an increasing problem among healthcare workers and others who frequently come into contact with latex products. They vary from mild skin rashes to fatal shock.

Between 10 per cent and 17 per cent of US healthcare workers have latex allergies, and up to 6 per cent of the US population may be latex-sensitive, says the American Academy of Allergy, Asthma, and Immunology.

Latex gloves are widely used by healthcare workers as a barrier against HIV, the virus which may lead to Aids, but others, such as police officers, food handlers and manicurists, wear them too.

One solution may lie in a desert shrub called guayle (pronounced why-you-lee). The Mexican shrub produces a natural rubber containing far fewer allergy-provoking proteins than the latex now used in some 40,000 products, but which is just as elastic and durable, says Katrina Cornish of the US Department of Agriculture.

Cornish, who developed the process to harvest the new latex and is working on ways to increase the shrub's rubber yield, says guayle does not require much water and can be grown without pesticides and herbicides.

No latex can be protein-free, but guayle latex contains only six to eight proteins while the natural latex from the tropical rubber tree Hevea has between 60 and 80. In recent studies none of 65 people allergic to Hevea latex was allergic to guayle latex.

Yulex, a small US company, has licensed the process to commercialise guayle latex from the US government. Dan Swiger, president, says products such as balloon-tipped catheters may be available within three years, and latex gloves within four years.

Marjorie Shaffer

Steel car design races for the finishing line

Manufacturers hope to fight off aluminium, says **John Griffiths**

An international consortium of 35 steelmakers says it is on target with a joint project to show that high-strength steel car bodies can be built up to 35 per cent lighter, yet more strongly and more cheaply, than existing models.

The consortium, including most of the world's main steelmakers, is commissioning a full economic analysis of the project by experts from Massachusetts Institute of Technology and Ibis Associates, a US consultancy.

The cost model they will construct will enable carmakers to make comparisons based on their own cost and manufacturing assumptions, leaders of the UltraLight Steel Auto Body (Ulsab) project said at the Seoul motor show in South Korea.

They were displaying elements of the Ulsab body design, with which the steel industry intends to fight competition from tha aluminium industry, to help carmakers bring into production lighter cars with improved performance and fuel economy.

Parts for the Ulsab body will be built and tested this year, with construction of complete bodies scheduled in Germany by the end of the year. The two-year, $22m (£13.5m) project, under the control of Porsche Engineering Services, is due to be completed by next spring.

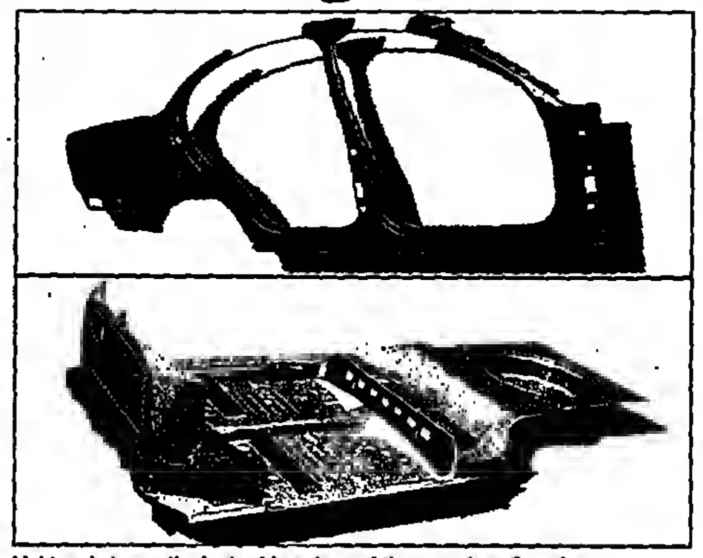
Results indicate that the project could "revolutionise car manufacturing," according to Germain Sanz, the consortium's chairman. John Bryant, executive director of British Steel, says he is confident that the project "will enable the European automotive industry to manufacture lighter, stronger, safer cars".

The Ulsab design is claimed to improve body rigidity by up to 132 per cent compared with existing structures used as the project's benchmarks.

Some cars, such as the Porsche Boxster, already use high-strength steels – 30 per cent in the case of the Boxster. Achieving the 35 per cent weight-saving of the full Ulsab body has also required optimised computer-aided design, which may require new approaches to body assembly.

The biggest single part of the Ulsab structure is the body side outer. Its main feature is an optimised blank layout, fully laser-welded with different gauges and grades of steel. Its cost and mass are reduced because it does not require reinforcing components.

For tha Ulsab floorplan, high-strength steel is used to permit a one-piece design, making it easier to assemble and to control the dimensions. Since there are none of the usual material overlap flanges of conventional designs, the mass is reduced – as is the welding required.



Light and strong: the body side outer and the one-piece floorplan

'Big bang' approach to state sell-offs

Beginning a series on Brazil's privatisations, **Geoff Dyer** weighs the obstacles and incentives

BRAZILIAN PRIVATISATION

In the 1950s Brazilian president Juscelino Kubitschek famously called for "50 years' progress in five", in an attempt to kick-start the industrialisation of what was then a largely rural economy.

Today's Brazilian government is trying equally hard to make up for lost time. Having been slower than many of its Latin American neighbours to privatise, Brazil is attempting to push through a massive programme of sell-offs at a rapid pace.

In recent months the government has outlined an ambitious timetable which involves privatising most of the country's telecoms network; large parts of the electrical energy system; several of the biggest ports; thousands of miles of roads and most of the country's railway system – all by the end of 1998.

That programme is scheduled to start today with the politically controversial sale of a 40-45 per cent controlling stake in Companhia Vale do Rio Doce, Latin America's biggest mining company.

Mr Antônio Kandir, Brazil's planning minister, will only forecast proceeds for this year of $10bn from privatisations, perhaps because he fears to raise excessiva expectations.

But according to analysts' back-of-the-envelope calculations, the value of the assets up for sale over the next two years could be over $60bn.

To give an idea of just how ambitious this schedule is, since the start of the decade the rest of Latin America put together has received total revenues from privatisations of only $51.1bn, according to the World Bank. Brazil itself has raised just $13.4bn since its first privatisation in 1991.

The size of these numbers reflects the relative dominance of the Brazilian economy in the region. The state of São Paulo alone, admittedly Brazil's richest, has put up for sale an electric power network larger than that of any other Latin American country. And the sale of CVRD, the mining company, is expected to be Latin America's biggest-ever privatisation.

Over the past five years privatisations have been postponed or delayed in Brazil on countless occasions and timetables have regularly been torn up. Why should things be any different now?

For a start, the Brazilian government is facing growing economic pressures which will act as a strong incentive to privatise. The government knows that it has to cut the budget deficit, which was worth 6 per cent of gross domestic product last year, if it is to secure the hard-won achievement of single-digit annual inflation.

Privatisation revenues ($m)

	1990	1991	1992	1993	1994	1995
Brazil	44	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Latin America (except Brazil)	7,109	15,915	12,851	7,849	4,631	3,481
East Asia & Pacific	376	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eastern Europe and Central Asia	1,304	2,783	4,341	4,151	2,879	8,937

Source: World Bank

Most of the railway system is to be sold by the end of 1998

Revenues from privatisation will not solve the fiscal problem, but they could give the government breathing space to push through longer term reforms to cut public spending.

The government also knows that the country's creaking infrastructure, which has been put under increasing strain by a burst of consumer spending, needs a radical overhaul if economic growth is to be sustained.

That pressure is most acute in the electric energy sector, where rising demand has prompted warnings about potential rationing if capacity is not expanded.

Analysts say that the Brazilian power sector needs annual investment of $6.4bn to keep up with demand – equivalent to three large nuclear plants a year.

The political environment also gives some grounds for optimism that privatisations will happen. The government of Mr Fernando Henrique Cardoso is enjoying unprecedented popularity in the opinion polls. And it has been given a boost by the near-certain approval of a constitutional amendment allowing the president to stand for re-election. This puts it in a strong position to raise the pace of sell-offs.

However, a successful privatisation programma also depends on the state governments, which own many of the assets for sale. There, the political outlook is less clear.

Consider the state of São Paulo, which by virtue of its economic size is an important element in the process. Like the federal government, it faces intense fiscal pressure: it was forced to refinance R$44bn (US$41.4bn) of debts last year, which has led it rhetorically to embrace privatisation.

"Our strategy is to go full steam ahead with privatisations," says Mr André Franco Montoro Filho, a former economics professor who is São Paulo's economics secretary and one of several technocrats in the administration.

However, some observers doubt tha commitment of Mr Mario Covas, the state governor. Critics point out that he fought for two years to prevent Banespa, the state-owned bank, from becoming a candidate for privatisation. His willingness to push ahead with selling the state's energy companies will be an important indicator.

The fact that many of the companies for sale have long acted as outlets for political patronage will ensure continued opposition to privatisation at state level.

Privatisation still faces plenty of other obstacles, which make it likely the government will not meet all its targets. Previous sell-offs have suffered long delays because of court actions. It took the government more than two years to sell Light, the Rio de Janeiro electricity distributor, because of legal obstacles.

Postponements could also be caused by uncertainty over the future regulatory structure of the energy and telecoms sectors.

"Privatisations will increase, but because of all the complications the pace will only be steady," says one foreign banker. Moreover, the sheer volume of deals being contemplated could lead to heavy congestion, bankers say.

That is why the the sale of CVRD will be such an important test. If the auction is successful and strikes a price well above the minimum, the rest of the process will gain momentum.

Brezil's international financial reputation has been partly transformed over the last three years by the success of its anti-inflation reforms. If the government can show firm progress on privatisation, it will help remove the label of the country that promises more than it delivers.

Thomsons sell Markborough

By Bernard Simon in Toronto

Canada's Thomson family, best known for its international publishing and travel interests, has accepted an offer for Markborough Properties, its real estate arm.

Cambridge Shopping Centres, a Toronto-based developer, has agreed to pay C$375m (US$268.4m) in cash and convertible debentures for Markborough, whose portfolio includes 20 shopping centres and five office buildings.

Woodbridge, the Thomsons' main investment vehicle, has a 71 per cent fully-diluted stake in Markborough.

The Thomsons are also examining the future of Thomson Corporation, their flagship company, with a view to separating its UK-based travel and North American publishing businesses. Options include selling the travel operations, or spinning them off into a separate company.

Mr Henry Ciocca, Markborough chief executive, said the sale to Cambridge was the culmination of a competitive bidding process begun a few months ago.

Markborough has undergone a shake-up over the past 18 months, designed to strengthen its balance sheet. It has sold assets worth about C$400m and reduced its debt.

But Mr Ciocca said the present capital structure was unable to support growth.

The deal will boost Cambridge's assets by about 50 per cent to C$3.5bn. The combined company will have a portfolio of 38m sq feet, of which it will own 23m sq ft.

Bad loans hit Mexican banks

By Leslie Crawford in Mexico City

Mexico's leading banks continue to face a difficult operating environment in 1997, with stagnant loan growth, shrinking margins and a further deterioration in asset quality, according to first-quarter results reported in the past few days.

Stricter accounting practices, introduced in January, have led most banks to report a sharp increase in non-performing loans. In the first quarter, past-due loans totalled 20.5 per cent of total loans at Banamex, Mexico's largest bank, and 19.2 per cent at Bancomer, the second-largest bank, in spite of the sale of a large portion of their bad mortgage portfolios to the government in December.

Only Serfin, the third-largest bank, reported a decline in past-due loans in the first quarter to 21.3 per cent of its total loan portfolio, from 23 per cent in the last quarter of 1996. Mexico's three leading banks account for more than half of the total assets of the banking system.

Grupo Financiero Bancomer, the financial group which owns Bancomer, reported a net income of 349m pesos ($44.25m) in the first quarter, against a loss of 1.87bn pesos in the same period of 1996. Most of this profit was accounted for by a one-off 538m peso gain at the group's brokerage house.

Banacci, the financial group which owns Banamex, reported a 971m peso profit in the first quarter, against an 810m peso profit in the first quarter of 1996, although the group cautioned that results were not directly comparable due to the accounting changes that came into effect at the beginning of the year.

Serfin made no provisions against loan losses and posted a 30m peso loss in the quarter, although Grupo Financiero Serfin recorded a net income of 46m peso profit due to a 77m peso profit at its brokerage house.

AMERICAS NEWS DIGEST

Boeing shares slip as results disappoint

Shares in Boeing, the US aerospace group, fell in early trading yesterday on the release of disappointing first-quarter profit data and a warning of lower operating margins and reduced productivity. Although earnings per share rose more than three-fold to $1.09, compared with 35 cents last time, the figure fell to 87 cents after excluding a $64m gain on stock held in trust for employees. Analysts had been expecting up to $1. The group's stock fell $3½ to $98¼ in spite of evidence of growing demand for commercial aircraft. Boeing delivered 68 passenger jets in the period, and said it expected to deliver 90 in the current quarter and reach 340 for the year.

Annual revenues were expected to climb 45 per cent to about $33bn for the 12 months after a 70 per cent surge in the first three months to $7.3bn, it added. Last year's first-quarter results were depressed by the hang-over from a 10-week strike.

Reflecting the company's efforts to raise output to meet reviving demand, Mr Phil Condit, group chairman, said tha rapid increase in employment and demand for parts from suppliers had dented productivity rates at group plants and some suppliers' factories. He expected the problems to continue for "several months." Income had also been affected by higher research and development costs, raised taxes, increased interest costs related to the purchase of Rockwell's defence and space operations.

Robust air traffic growth and record profits in the airline industry should lead to a sharp rise in deliveries during the next two or three years, the company said. However, Mr Condit noted competition for new orders remained intense. Airline profitability had increased, but fares continued to fall, obliging carriers strictly to control their capital expenditure to maintain margins.

Boeing, which is under intense scrutiny by the European Commission's competition department as a result of its planned acquisition of McDonnell Douglas, said initial filings for approval had been made in the US and Brussels. It it had received requests for supplementary information and expected the merger to go ahead during the third quarter.

In a separate development, company officials were quoted at the weekend as saying Boeing would seek the support of the US government if the EU attempted to hamper the merger. *Christopher Parkes, Los Angeles*

MGM in $573m films buy

Metro-Goldwyn-Mayer, the privately-held entertainment group, is to pay $573m in cash for the 2,200-title film library and other Hollywood assets of Metromedia international. The expected deal is the first strategic acquisition by MGM, acquired last year for $1.3bn by a consortium led by veteran investor Mr Kirk Kerkorian in partnership with Australia's Seven Network.

The purchase will more than double the size of MGM's library, and includes the operations of Orion Pictures, Goldwyn Entertainment and Motion Picture Corp of America plus 12 recently completed films and five direct-to-video releases.

Metromedia, controlled by billionaire Mr John Kluge, plans to concentrate on expanding its telecommunications businesses in the far east and eastern Europe, the company said. Under the agreement announced yesterday, it will have first option to air all MGM films and television programmes in its main non-US markets. The deal excludes Metromedia's US chain of 50 cinemas. *Christopher Parkes*

Imasco to sell Hardee's

The fourth biggest US burger chain is about to change hands following yesterday's announcement that Canada's Imasco conglomerate has agreed to sell Hardee's Food Systems to the CKE Restaurants fast food chain for US$327m in cash and notes. Hardee's had a 7.2 per cent share of the US burger market last year, down from 8.3 per cent the year before, according to the Chicago-based Technomic market research group.

Imasco, which is 40 per cent owned by the UK's BAT industries, is Canada's biggest cigarette company through its subsidiary, Imperial Tobacco, and another subsidiary, CT Financial Services, owns the Canada Trust group of companies. Hardee's has been suffering from acute competition and price warfare in the US burger market, typified by a current McDonald's promotion that has cut the price its Big Mac burger from around $1.90 to 55 cents.

The California-based CKE Restaurants, formerly Carl Karcher Enterprises, runs the Carl's Jr chain of fast-food restaurants, which has been doing well on the west coast by aiming for the "quality" end of the burger market. *Richard Tomkins, New York*

Prices for electricity determined for the purposes of the electricity trading and settlement arrangements in England and Wales

Provisional Prices for 29.04.1997 / Final Prices for Trading 01.04.1997

1/2 hour period ending	Pool purchase price £/MWh	Pool purchase price £/MWh	Pool selling price £/MWh	TS use of system price £/MWh
0030	11.61	11.55	11.55	0.00
0100	11.81	9.00	9.00	0.00
0130	11.67	11.61	11.61	0.00
0200	14.63	10.74	11.80	0.39
0230	23.01	12.25	12.71	0.84
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Boeing warns of lower margins

Boeing shares fell on the release of disappointing first-quarter profit data and e warning of lower operating margins and reduced productivity. Page 20

Chilean copper workers threaten strike
Workers et Quebrada Blanca, a copper mine in northern Chile, are to go on strike from Wednesday morning unless they receive a substantially better pay offer. Page 30

Mexican banks report more bad loans
Stricter accounting practices, introduced in January, have led most Mexican banks to report e sharp increase in their non-performing loans in the first quarter of 1997. Page 20

CWC valued at £4.46bn
Cable & Wireless Communications, Britain's largest combined telecoms and entertainment provider, was valued et £4.46bn ($7.22bn) on its debut on the London stock market. Page 25

Nutreco to float in Amsterdam
Nutreco Holding, the Dutch-based maker of animal feeds sold off by British Petroleum in 1994 for $425m, is to float its shares on the Amsterdam stock exchange this summer. Page 22

Finmeccanica future to be discussed
A showdown over the future of Finmeccanica is looming this week with the boards of the industrial conglomerate and of Iri, the Italian state-owned holding company which controls it, due to meet tomorrow. Page 22

Enso buys Holtzmann holding
Enso, the Finnish pulp and paper group, has bought a 50.4 per cent stake in E. Holtzmann & Cie, the privately-owned German paper company, for DM605m ($349m). Page 24

Yamaichi to close Milan office
Yamaichi, Japan's fourth-largest securities house, is likely to run its European operations through London after the closure of its Milan, Berlin and Madrid offices. Page 23

Lion Nathan tumbles 21%
Lion Nathan, the Australasian brewer, reported a 20.8 per cent fall in interim earnings to NZ$72.2m (US$50.1m). Page 23

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Herlitz	188.5	+	12
Kali & Salz	144.0	+	4.5
Klöckner Werke	114.0	+	7.5
Falls			
DLW	139.5	−	4.9
GEHE	112.0	−	2.9
Ind Werke	452	−	12
NEW YORK ($)			
Rises			
Applied Magnetic	25¾	+	2¼
Falls			
Harnischfeger	41⅛	−	3½
[illegible]	9⅝	−	4
Seacor	41⅞	−	5¼
Texas Inds	21¾	−	1⅝
Tidewater	38	−	6⅛
LONDON (Pence)			
Rises			
How Group	55½	+	6
Quality Care	311	+	27
Falls			
BSM	103½	−	38
ES	312½	−	32
Kalamazoo	77½	−	22
S & U	380	−	42½
TORONTO (C$)			
Rises			
Bre-X Minls	3.79	+	0.54
Nth Amer Pal	5.95	+	0.65
Scorpion Mnl	3.5	+	0.5
Sarah Sam	11.5	+	1.2
Westar	68.1	+	11.1
Falls			
Dominion Text	5.25	−	0.5

PARIS (FFr)			
Rises			
Eridania B-Say	855	+	15
Legrand	982	+	25
Legris	274.0	+	8.5
Falls			
Alcatel	623	−	11
Pechiney Intl	95.6	−	4.4
Valeo	345.0	−	1.5
TOKYO (Yen)			
Rises			
Taisei	463	+	32
Falls			
Calsonic	600	−	31
Daikyo	394	−	31
San-Ei Chem	307	−	22
Toshiba Plant	511	−	27
Yamaichi Sec	318	−	25
HONG KONG (HK$)			
Rises			
Cig-Wh Int	3.07	+	0.37
Silver Grant	4.25	+	0.35
Falls			
Beijing Datang	3.95	−	0.42
Giordano Intl	4.07	−	0.33
Min Xin	4.35	−	0.32
Tsingtao Brew	3.1	−	0.35
BANGKOK (Baht)			
Rises			
CMO Ent	45.5	+	4.0
Thai-Asahi	26.25	+	2.25
Thaiwah	15.5	+	1.25
Falls			
BKK Dusit	32.25	−	6.75
Loxley Pub	91	−	10
Sub-Sri Thai	31.5	−	3.5

New York and Toronto prices at 12:30.

Chase plans new derivative system

'Contract for differences' could reduce forex market risks

By George Graham in London

Leading international banks are working to create e kind of financial derivative which they believe could sharply reduce the risk of a payments breakdown in the foreign exchange market.

Chase Manhattan, the large US bank, has been discussing the idea of e foreign exchange derivative called e contract for differences, which would eliminate the need for up to 95 per cent of the $2,400bn of payments which flow between banks each day to settle foreign exchange deals.

At the moment, if e bank sells D-Marks in exchange for dollars, it will pay over the D-Mark sum in the German payment system, and may then have to wait hours before it receives the equivalent in dollars through New York's Chips payment system.

Using the contract for differences proposed by Chase, the only money that would need to change hands would be the difference in the relative values of the two currencies between the time of the deal and the time of settlement.

Mr Dennis Oakley, a Chase managing director, said the principle of settling only the change in value was widely used in other markets, such as commodities futures.

"People generally don't want a barrel of oil or pork bellies delivered to their front door – they want the economic effect of the transaction settled in cash. FX is no different," he said.

The derivative proposal is one of a number of initiatives banks have taken in response to mounting pressure from banking regulators to come up with a solution to the problem of foreign exchange settlement risk.

Since Bankhaus Herstatt, a small German bank, collapsed in 1974 leaving more than $620m of trades unsettled, central banks have worried over a possible repetition.

Last year, a report from the Bank for International Settlements in Basle threatened to impose new rules if commercial banks did not come up with their own answer to the Herstatt problem within two years.

Besides overhauling their own systems for handling foreign exchange settlements, more banks have also joined multilateral netting schemes such as Echo and Multinet, in which the gross amounts they owe each other in different currencies are totted up and offset, so that they end up paying only a much smaller net balance.

More ambitiously, some large banks have been working on e plan to establish e central clearing house to handle currency payments.

Foreign exchange derivatives could, if widely adopted, short-circuit the need for netting systems and provide a cheaper solution to Herstatt risk.

Spain lifts retail offer for Repsol on back of demand

By David White in Madrid

Massive demand from small investors for shares in Repsol, the Spanish oil, gas and chemicals group, in the last stage of its privatisation has forced the government to increase the retail tranche by 20 per cent.

The decision by state holding company Sepi raises retail investors' share from 50 per cent to 60 per cent of the total on offer – from 12.75m to 15.3m shares – excluding shares reserved for employees.

This move came ahead of the fixing of the final price for the offering, due after the close of trading in New York.

The maximum price was set last week at Pta6,327. Small investors are offered e 4 per cent discount, the same as for the previous privatisation issue which reduced the state's holding from 21 per cent to 10 per cent.

Trading in the shares is set to start today.

Retail demand was estimated to cover the initial allocation more than 40 times over, with applications worth about Pta3,590bn ($24.9bn) according to provisional figures.

Enthusiasm for the latest Repsol shares sale is much stronger than the last offering just over a year ago, when the retail tranche was eight times oversubscribed. This is in spite of a reduction in the incentives on offer.

Sepi said the extra shares for retail investors would be deducted from the institutional tranches. However, it is expected that this shortfall will made up from the underwriters' overallotment option, or "greenshoe", set at 2.55m shares.

A further 4.5m shares have been set aside for employees and pensioners.

Global co-ordinators for the issue are Goldman Sachs, Banco Bilbao Vizcaya and Santander Investment.

The offering, involving 30m shares overall, is the sixth and final phase in the privatisation of Repsol which was begun in 1989.

The group has Banco Bilbao Vizcaya, the La Caixa savings bank and Pemex of Mexico as "core" shareholders, with a combined stake of 19 per cent.

GAN to pursue sell-off despite $970m deficit

By Andrew Jack in Paris

GAN, the state-owned French insurance group, yesterday reported higher than expected 1996 losses of FFr5.7bn ($970m) but stressed that it was pursuing plans for the privatisation of its principal activities.

The losses – estimated to be FFr5bn by the government in February – include provisions of FFr13.8bn to cover the group's heavy exposure to property lending by its banking subsidiaries.

The figures also include a pledge by the French state for recapitalisation which could exceed FFr20bn. However, this aid is being considered by the European competition authorities in Brussels.

The state has agreed to inject FFr11bn this year, including FFr7.1bn to recapitalise its UIC banking subsidiary, and a further FFr3.9bn to bring the resources of its insurance activities up to acceptable regulatory levels.

It will also guarantee against the bad loans placed into an off balance sheet "defeasance" structure, which GAN estimated would cost a further FFr9bn, although the figure could be higher.

In addition, the group said the state had agreed to support any future capital needs of UIC if GAN was unable to provide them, and stressed that the sale of operational businesses could affect the value of the capital of the parent group.

The recapitalisation will take the form of a rights issue with preferential subscription rights.

Further information is due to be released later.

This month, GAN separated its holding company from its principal activities: the insurance arm, which has shareholders' funds of FFr7.2bn; CIC bank, with a book value of FFr14.6bn; and UIC, with negative capital of FFr6.5bn ahead of the recapitalisation.

The group said yesterday that its insurance activities, UIC and the assets in its defeasance structure would be sold in the coming months.

It said preparatory work for the sell-off of its insurance activities and of CIC was under way.

SBC Warburg is advising the state, and GAN is being advised by Goldman Sachs for the insurance business and J. P. Morgan for CIC.

GAN's core insurance activities reported net annual income up sharply to FFr1bn, compared with FFr380m last time, although profits from its international businesses fell from FFr496m to FFr321m.

Its non-life French operations showed improved losses of FFr112m, compared with FFr567m last time.

CIC's profits were almost unchanged at FFr700m (FFr732m), and its property lending divisions made losses of FFr5.3bn (losses of FFr3.5bn).

Cable and Wireless Communications finance director Nicholas Mearing-Smith, left, with chief executive Graham Wallace on the trading floor of Merrill Lynch as Britain's largest combined telecoms and entertainment provider started trading. The company was yesterday valued at £4.46bn ($7.22bn) in London, where some 7.5m shares were traded. Report, Page 25 Picture: PA

Japanese groups join forces to boost on-line shopping

By Michiyo Nakamoto in Tokyo

Fujitsu, Hitachi and NEC, three of Japan's largest electronics manufacturers, are setting up a joint venture company which could boost the market for on-line shopping in Japan.

The company, which will provide certification services for electronic shopping, will be capitalised at Y300m ($2.4m) and will start operations in the autumn. It is a rare step for three of Japan's competitive electronic companies to join hands commercially.

The domestic market for electronic commerce is expected to reach Y600bn by 2000. However, the market cannot take off without a widespread means of certifying the identity of shoppers.

Fujitsu, Hitachi and NEC will put up 50 per cent of the capital. The rest is expected to come from banks and credit card companies.

The three companies, which control about 70 per cent of the mainframe market, hope that by providing certification services they will spur the growth of electronic commerce in Japan, which will help them expand equipment sales.

Certification systems have already been developed by US companies, such as Verisign and GTE, which are launching the services in Japan. Fujitsu, Hitachi and NEC believe their system will be better suited to Japanese commercial transactions. To enable Japanese users to conduct international commercial transactions, it aims to be compatible with Secure Electronic Transaction, a protocol developed by leading credit card companies which is expected to become the de facto international standard.

Fujitsu, Hitachi and NEC have been collaborating on development of a certification standard since last July. When the new company begins services, electronic shoppers will be able to place orders on-line and pay for their purchases through their bank accounts.

Demon Internet seeks investor

By Nicholas Denton in London

Demon Internet, standard bearer of the UK's independent Internet service providers, is up for sale.

The move, which comes as other ISPs abandon the consumer market in favour of higher margin business customers, is the strongest sign yet of consolidation in an Internet access market divided among about 200 competitors.

ISPs are struggling against growing competition from British Telecommunications and US online giants such as Microsoft's MSN.

Demon, the largest ISP with 102,000 subscribers connected to the Internet, has sent a prospectus to about half a dozen possible purchasers offering a stake of up to 49 per cent in exchange for new investment.

The companies approached include Deutsche Telekom of Germany, with which Demon had discussions yesterday, and Orange, the UK mobile operator. Demon is represented by Midicorp, the corporate finance boutique.

A deal with Demon would allow Deutsche Telekom, which owns Europe's most successful online service in T-Online and offers fast ISDN telecommunications connections in the UK, to move past BT in the dial-up Internet access market in the UK.

Mr Cliff Stanford, Demon's managing director, said a "strategic partner" would help Demon finance a UK marketing campaign and expand into continental Europe after telecommunications liberalisation in 1998.

However, Demon's move reflects growing financial pressure on independent ISPs, which are dependent on leased telecommunications capacity to connect the "nodes" to which their customers dial up to the Internet backbone.

Demon offers Internet access for as little as £10 a month. Netcom, a US ISP which like Demon pioneered the cut-price flat monthly fee for Internet access in its home market, recently raised prices for new users from $20 to $25.

Demon, which acquired transatlantic telecommunications capacity to speed Internet connections to the US in 1996, is on course to lose about £3m ($4.8m) in the financial year to April 30.

The bulk of the proceeds from the Demon sale would be invested. But the strategic partner would also buy out some of the shares of Apax Partners and other venture capital investors in Demon.

Showdown looms over Finmeccanica

By Paul Betts in Milan

A showdown over the future of Finmeccanica is looming this week, with the boards of tbe Italian industrial conglomerate and of Iri, the state-owned bolding company which controls it, due to meet tomorrow.

The meeting follows the surprise decision of Mr Fabiano Fabiani, Finmeccanica chairman for the past 12 years, to resign from the defence, aerospace, transport and high-tech conglomerate.

Mr Fabiani's sudden resignation last weekend came after a long-running power struggle, whicb reached a climax last week when Iri decided to reverse his etrategy and shake up the loss-making group.

The hoardroom drama upset financial markets yesterday, with Finmeccanica ordinary shares falling 4.2 per cent to L910 and savings shares by 4.8 per cent to L832.90 on the Milan bourse.

Mr Luigi Fausti, who was yesterday appointed the new chairman of Banca Commerciale Italiana, which owns a 3.35 per cent stake in Finmeccanica, said thet Iri would concentrate its efforts on Finmeccanica once the prohlems of the privatisation of the Stet telecommunications group bad been resolved.

Answering shareholders' questions at yesterday's annual meeting in Milan, Mr Fausti said he hoped the process of privatising Finmeccanica would hegin before the end of this year. Iri, be said, had confirmed its plans to BCI a few weeks ago.

Apart from elevating Mr Fausti from deputy chairman to chairman of the large privatised Milan bank, BCI also appointed Mr Gianfranco Gutty, chief executive of Assicurazioni Generali, as deputy chairman. Mr Alberto Abelli and Mr Pier Francesco Saviotti, both BCI executives, were appointed managing directors.

The cloak-and-dagger nature of the Finmeccanica-Iri boardroom upheaval continued to make waves yesterday. Trade unions have sided with Mr Fabiani, attacking Iri's proposal to transform Finmeccanica once again into a financial holding from the current integrated industrial holding.

However, the final outcome will rest on the position of the government, and especially the Treasury.

Lex, Page 18

Nutreco heads for summer flotation

By Gordon Cramb in Amsterdam

Nutreco Holding, the Dutch-based maker of animal feeds sold by Britisb Petroleum in 1994 for $425m, is to float on the Amsterdam stock exchange this summer in one of the merket's biggest public offerings of the year.

The company, owned by venture capital institutions and management, announced the plan yesterday as it reported a 13.1 per cent rise in 1996 sales to Fl 4.56bn ($2.36bn), and a 53.9 per cent jump in net profits to Fl 40.4m.

The flotation comes at least a year earlier than originally planned. Nutreco had indicated in mid-1995 that it would take between tbree and seven years to bring the company to market.

But Mr Richard van Wijnbergen, chief executive, said: "We feel that Nutreco is in good shape and ready to go."

The size of the offering is to be determined within the next six weeks in consultation with Goldman Sachs International and Rabo Securities, which bave been appointed joint global co-ordinators for the issue.

With brands such as Hendrix, Trouw and Nanta, Nutreco is the largest supplier of pre-mixed and specialty feeds in western Europe, where it also bas breeding and processing activities for meat and poultry.

The company said that its first-quarter performance sbowed a continuing improvement, in spite of a swine fever outbreak in the soutb of the Netherlands whicb has affected its pig operations.

Mr Van Wijnbergen said: "We don't see a deviation of growtb this year."

The company also ranks as the world's biggest producer of salmon and trout feed, with a market share of as much as 40 per cent. Its aquaculture division accounted for 21.5 per cent of group sales but 41.9 per cent of profits last year. Nutreco supplies big fish farming markets from Norway to Chile.

The group, with some 5,500 staff, has activities in 15 countries.

Group figures revealed by Lego

By Hilary Barnes in Copenhagen

Lego, the Danish-based toys group famous for its plastic building blocks, has published group sales and profits figures for the first time.

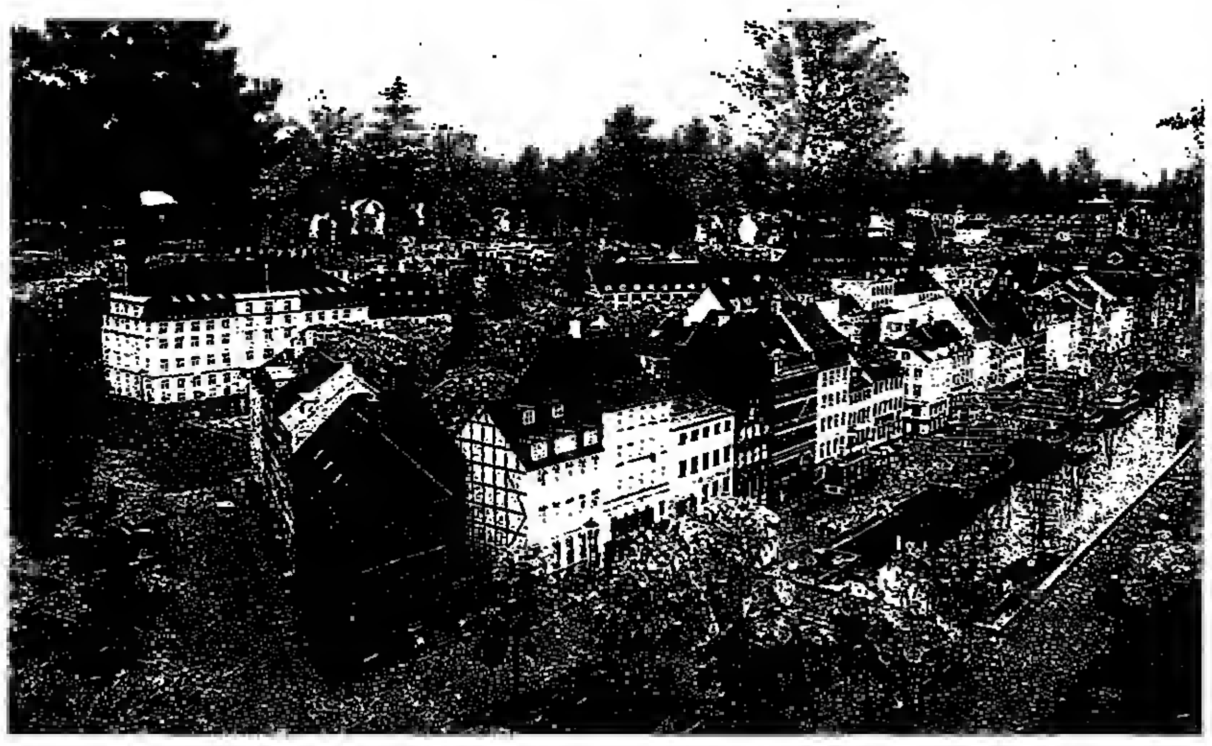
They sbowed tbat 1996 turnover rose 10.1 per cent, from DKr6.84bn in 1995 to DKr7.53bn ($1.1bn) last year, but slower growth in net profits. Pre-tax profits at the family-owned company advanced 9.9 per cent from DKr676m to DKr699m. After tax, profits were ahead 6.3 per cent from DKr431m to DKr470m.

Mr Kjeld Kirk Kristiansen, chief executive and family head, blamed the slow profits growth on a heavy investment programme.

Lego, which expanded rapidly in the 1970s and 1980s, has struggled to maintain its growth momentum in recent years because of competition from computers and electronic games.

The company last year almost doubled its investment in fixed assets, to DKr1.5bn from DKr749m in 1995, as it prepared to launch a new series of toys, including a range of digital products. However, Mr Kristiansen yesterday stressed Lego bricks would remain at the heart of the company for the foreseeable future.

"Earnings are not satisfactory in the light of our long-term objective to self-finance tbe operation and investments which we believe to be right and necessary," he said.



Building transparency: the Danish-based toys group published group sales and profits figures for the first time Impact Photos

The group, which is controlled by two Danisb and two Swiss parent companies, has previously only published figures for the Danish operations. The Swiss side edded about DKr1.7bn to the DKr5.21bn sales figures published in 1995. The publisbed pre-tax profit for 1995 was DKr413m and net profits were DKr239m.

Last year's profits represented a return on assets of 6.9 per cent and a return on equity of 7.9 per cent; the ratio of equity capital to assets was an impressive 58.8 per cent.

Sales to retailers and distributors rose 4 per cent, compared with a decline of 2 per cent in 1995. Sales in North America increased by 26 per cent, but in Japan sales fell by 20 per cent. In Europe as a whole sales were up 1 per cent in a total market for toys which shrank by 3-6 per cent, Lego said. Sales were ahead in the UK, eastern Europe and Russia, but fell in Germany, France, Italy, Sweden and Switzerland.

The group is currently carrying out e restructuring and cost-curbing programme, which is on target to cut costs by 10-15 per cent over the two years to the end of 1997, it said.

Last year saw the highly successful opening of the Legoland park at Windsor in the UK, which is to be followed by the opening of a similar park at Carlsbad in California in 1999.

Telefónica seeking a quick divorce

The fallout of Telefónica's switcb earlier this montb to the Concert venture, which groups British Telecom and MCI, of the US, has begun to gather in Madrid.

Lawyers are negotiating tbe "divorce settlement" between tbe Spanish company and its jilted former partners in Unisource, the alliance of smaller European telecom operators.

In spite of the upheaval to global telecom agreements caused by Telefónica's defection, the two estranged parties said yesterday the meetings had started on a "friendly and constructive" note.

Analysts said both sides could be anxious to achieve a rapid separation because Telefónica wants to develop its links with Concert, while Unisource, a link-up of the national carriers of The Netherlands, Sweden and Switzerland, wants to bid for Spain's second operator, Retevisión.

The main obstacle to an amicahle separation is understood to be the future ownership of Telefónica Transmissión de Datos, a data transmission company valued at Pta65bn ($453m), whicb the Spanish group incorporated into Unisource last year when it joined the alliance.

The main obstacle to an amicable separation from the Unisource alliance is the future ownership of TTD, a data transmission company valued at Pta65bn

"We know Telefónica wants TTD back, but as far we are concerned it is a 100 per cent Unisource company," the European alliance said. "Obviously there is room for negotiation on TTD and we cannot at this stage say wbether a penalty clause [because of Telefónica's unilateral withdrawal from Unisource] can be executed or not."

Telefónica said yesterday it was acting on the basis that there was no penalty clause.

"TTD is worth what its clients are worth and 80 per cent of them are our clients. They will go where we go," it said.

TTD is staffed by Telefónica employees and its users include several hig Spanish corporatioos, including Iberia, the national airline; Repsol, the energy group; BBV, the retail bank which is one of Telefónica's core shareholders; and Mapfre, the main domestic insurance group.

Unisource has to weigh whether it has more to gain from suing to retain part of Telefónica's assets, or from entering the contest to compete, via Retevisión, with its former partner.

Retevisión, the etate-owned TV signals company, is to be privatised before the summer and will start delivering fixed telephony services later this year.

Unisource was unable to express a formal interest in Retevisión when applications from potential buyers for the second operator closed last week, because it is still legally linked to Telefónica.

The alliance said yesterday it was nevertheless exploring the possibility of joining a consortium, formed by AT&T of the US and Germany's Mannesmann, which is likely to bid for Retevisión. Unisource is AT&T's mainstream partner in European ventures.

Retevisión bas also attracted the interest of Global One, which groups France Telecom, Deutsche Telekom and Sprint, of the US, and of Italy's Stet.

The government will announce today which operators have been pre-selected to offer formal bids for the second operator.

Tom Burns

EUROPEAN NEWS DIGEST

Pension funds sue Den Danske Bank

Four Danish pension funds are to sue Den Danske Bank for losses sustained when they subscribed to e DKr1.8bn ($274m) share issue from the Hafnia insurance group in 1992. Four months after the issue, Hafnia filed for bankruptcy and shareholders lost their money.

The pension funds are also claiming compensation from Paribas, the French bank, and the Copenhagen stockbrokers Bjornskov, who shared responsibility with DDB for the Hafnia issue. The Hafnia group, at that time Denmark's second-largest insurance group, fell foul of the financial markets when Hafnia Holding, the parent company, bought heavily into its domestic rival, Baltica (which itself had to be rescued by DDB in 1993) and into Scandia, the Swedish insurance company.

A dramatic drop in the price of the shares in these two companies wiped out Hafnia's equity in the summer of 1992. Hafnia's operational insurance companies were subsequently taken over by Codan, the Danish insurance company controlled by Royal Sun Alliance of the UK.

Hilary Barnes, Copenhagen

Hampel to head Creditanstalt

Mr Erich Hampel, 46, head of Austria's state-owned Post Office savings bank, is today expected to be made chief executive of Creditanstalt, Austria's second-biggest bank. He replaces Mr Guido Schmidt-Chiari, 64, who has headed the bank since 1988 and is stepping down following Bank Austria's acquisition of majority control.

Mr Hampel's appointment follows weeks of uncertainty about Creditanstalt's new management team. Mr Alarich Fenyves, 52, head of Creditanstalt's international division, is believed to be the only member of Creditanstalt's six-man board to continue in the office.

William Hall, Zurich

Strong start for BHW issue

Shares in BHW Holding, the German building finance group, rose yesterday on the first day of trading of the group's new DM1.4bn equity issue – the largest in Germany this year. However, analysts gave the issue a lukewarm reception, with many expecting the share price to make little headway in coming weeks. The share offer price was fixed at DM26, but shares rose to about DM28 in trading yesterday.

"The company has presented itself as a growth stock but the growth is already in the share price," said one analyst. Mr Dieter Hein, banking analyst at BHF Bank in Frankfurt, said: "BHW has defined its ambitions to be number one in such a narrow industry area that this has no meaning. I think the offer was overpriced and I expect the share price to fall after a short while."

Graham Bowley, Frankfurt

Deutsche Bank launches fund

Deutsche Bank, Germany's biggest, has launched a DM25m ($20.2m) fund to give young, innovative technology companies access to new capital. Deutsche said the fund was the first of its kind in Germany. Deutsche Bank said the fund – which would be increased to DM45m if it proved successful – was its attempt at helping German small and medium-sized companies.

Last month Germany's new stock market segment for young, innovative companies - the Neuer Markt - began trading but so far only two companies are listed on it.

Graham Bowley

SAB to build plant in Kenya

South African Breweries, the world's fourth-largest, is expanding its network of African interests to Kenya by building a $45m brewery at Thika, near Nairobi. The new plant will challenge Kenya Breweries, the dominant national brewer, in which Guiness has a 21 per cent interest and the Kenyan government 20 per cent.

The Thika brewery is a joint venture between SAB, which will take an interest of 55 per cent, and Donyo Sabuk Holdings, e consortium of Kenyan entrepreneurs which will hold 30 per cent. FMO, a Dutch Development Agency, will hold the balance of shares in the new company.

Mark Ashurst, Johannesburg

Volvo targets eastern Europe

Volvo, the Swedish motor manufacturer, plans to expand its service network for trucks across central Europe and the former Soviet Union in an attempt to lift sales in the area. Mr Tommy Rengman, head of Volvo Truck's Europe division, said the company was looking to countries such as Poland, where it already has an assembly plant, and the former Soviet Union to improve its results in the face of a weakening markets in western Europe.

Volvo's truck sales in Europe fell 22 per cent in this year's first quarter.

Christopher Bobinski, Warsaw

COMPANIES AND FINANCE: EUROPE

Enso buys Holtzmann holding

By Greg McIvor in Stockholm

Enso, the Finnish pulp and paper group, has bought a 50.4 per cent stake in E. Holtzmann & Cie, the privately-owned German paper company, for DM605m ($349m).

The deal marks a further step in a restructuring of the European forestry industry in which the large Nordic producers have sought to cement strong market positions through acquisitions in continental Europe.

Mr Jukka Hämälä, Enso chief executive, said the group would become Europe's third-largest supplier of publication papers, measured by production capacity, after UPM-Kymmene, of Finland, and Sweden's Stora. Publication papers are used mainly in newspapers and magazines.

Holtzmann, based in Karlsruhe, produces about 700,000 tonnes a year of newsprint, uncoated magazine paper and wallpaper base. It made operating profits of DM193m last year on sales of DM818m.

Enso said it would increase its interest in Holtzmann by 39 per cent next year and eventually to 100 per cent, taking the total value of the acquisition to about DM1.2bn.

Mr Hämälä said that the acquisition fitted with Enso's strategy of building size and concentrating on three product segments: publication paper, fine paper and packaging. Enso's goal was to be one of Europe's top three groups in each area.

"If you produce a paper grade you have to be a major player. As publishers are getting bigger and bigger, they will only want to deal with large suppliers," he said.

"The purchase of Holtzmann's uncoated magazine paper capacity would be an important addition to the group's portfolio," Mr Hämälä said. "The big publishers want a full palette of grades."

The addition of Holtzmann raises Enso's newsprint capacity to 1.3bn tonnes, consolidating its position as one of Europe's biggest producers of the grade. The European market amounts to about 9bn tonnes a year.

Mr Jukka Huuskonen, senior investment analyst at Arctos Securities in Helsinki, said Holtzmann was one of the few interesting continental acquisition targets for Scandinavia's big forestry groups which had not already been bought.

"It makes a perfect fit, as Enso is *already a major newsprint manufacturer* in Germany," Mr Huuskonen said.

Since 1994 Enso has operated a newsprint mill near Leipzig with annual capacity of 280,000 tonnes.

Enso made pre-tax profits of FM1.66bn *($320m)* on sales of FM25.7bn last year.

The group's most-traded R shares dipped FM1 to FM43.50 in Helsinki yesterday.

Black gold investors revise plans

JCI deal seen as the last of the 'megadeals' aimed at economic empowerment

The sale of Anglo American's controlling stake in JCI, the world's sixth-largest gold producer, to African Mining Group, a consortium of black investors, has been radically revised following this year's sharp drop in the Johannesburg gold index.

Saflife, a local institution controlled by a consortium led by JCI's new chairman, Mr Mzi Khumalo, will acquire 30 percentage points of the 34.9 per cent stake sold to AMG last November. Saflife has announced a R2.4bn ($539m) rights issue to fund the acquisition, which will transform it from a financial services group to a mining-based conglomerate.

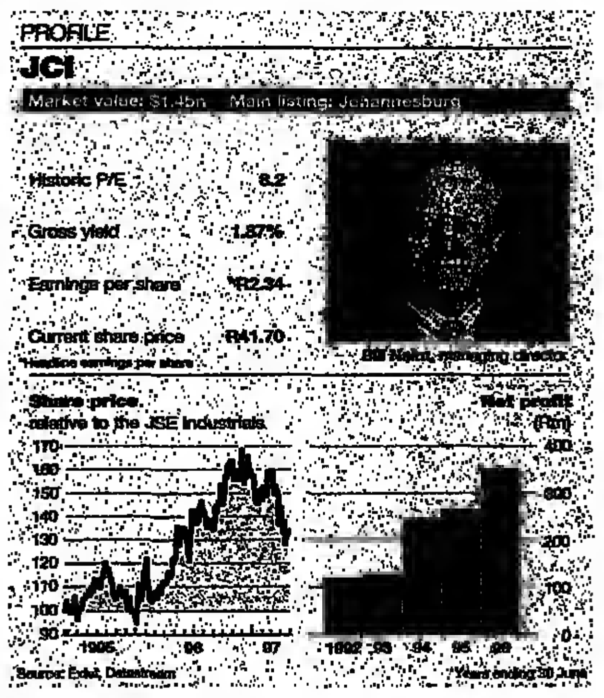
The market has reacted nervously to the prospect of Saflife raising almost 90 per cent of the capital to create South Africa's first black-controlled mining house. Saflife shares lost R4.75, or almost 20 per cent, to close at R19.75 following the announcement early this month. Last last week they were trading at R19.60.

The reaction reflects the suspicions of many Johannesburg financiers that JCI is likely to be the last in a series of recent "megadeals" designed to promote black economic empowerment.

The new funding arrangement is far removed from that envisaged in November, when AMG offered R2.9bn, or R54.50 a share, for Anglo's stake in JCI. The buyers originally stipulated that no single member of the consortium would hold more than one-fifth of the total stake. However, the drop in the Johannesburg gold index has thwarted their attempts to finance the deal outside Saflife. JCI shares dropped 20 cents on Friday to close at R41.70.

The gap between the purchase price – which included a 10 per cent premium to JCI's market value in November – and JCI's current share price has divided opinion in Johannesburg financial circles. Many of South Africa's biggest institutions which were approached by AMG members chose not to support the deal, and were subsequently criticised by Mr Khumalo of adopting "a short-term approach" to investing in black business.

In January, Thebe Investments, a leading member of AMG, abandoned the bid and the consortium subsequently failed to raise the cash by the first deadline of February 28. This was subsequently extended to May 26, *and the Saflife rights* issue has since been fully underwritten by a syndicate of local and foreign institutions. "International support for the big black empowerment deal is much stronger than domestic support – and that has surprised all of us," says Mr Alexander Wilmot-Sitwell, executive director of corporate finance at SBC Warburg, which advised AMG.



In lieu of a direct stake in JCI at this stage, other AMG members will receive shares in Saflife, which will be pooled with Mr Khumalo's consortium. The enlarged voting pool will hold 50.1 per cent of Saflife, and will include the investment arms of the National Union of Mineworkers and the South African Clothing and Textile Workers Union, whose representatives are likely to join the JCI board.

The terms of the current voting pool dictate that all decisions made by the voting pool must be unanimous. "AMG's interest in Saflife will be comparable in terms of influence [to a direct stake in JCI], but not in terms of size," one AMG insider says.

Contrary to an announcement in February that Saflife would acquire the full 34.9 per cent of JCI, Anglo has said the balance of 4.9 per cent will be made available directly to other members of the consortium. A one-year option on these shares had been granted to AMG members.

It is not yet clear which institutions will provide financing for AMG members to participate in the Saflife rights issue, nor how much they will take up.

But Mr Stephen Koseff, managing director of Investec, an investment bank with a 12.5 per cent stake in Saflife, says "more than half" the underwriters' money will come from local institutions – including Investec, Board of Executors, and Southern Life, a subsidiary of Anglo. The largest foreign investor is SBC Warburg, which will guarantee R700m, almost 30 per cent, of the R2.4bn issue.

These institutions are counting on JCI to emulate Gencor, South Africa's second-largest mining house, and Randgold, which have eliminated the discount to net asset value in their share prices. Mr Koseff expects "a fundamental reorganisation" at JCI to unlock the full value of its 71m oz gold deposit at Western Areas mine, the biggest payable gold reserve in the world.

But with a stagnant bullion market and persistent productivity problems at South African mines, Mr Khumalo's next battle will be to win the confidence of investors, who have traditionally undervalued Johannesburg gold stocks relative to other producers.

Mark Ashurst

Profit fall at SCA steeper than forecast

By Greg McIvor in Stockholm

SCA, Sweden's largest forestry group, disappointed investors yesterday with a steeper than expected decline in first-quarter profits in spite of strong demand.

Pre-tax profits fell from SKr1bn to SKr894m and earnings per share dipped from SKr3.07 to SKr2.62, lower than average market forecasts.

Like all Scandinavia's big pulp and paper groups, SCA has suffered from narrowing margins in the past year as prices of key paper grades have headed down.

Mr Sverker Martin-Löf, SCA chief executive, said prices of printing papers and fine papers had stabilised, while price increases had been announced for liner – the main ingredient of packaging.

But he warned that pressure was building on prices in hygiene products – the group's biggest division, with 45 per cent of sales. Demand was expected to remain strong but costs of raw materials, notably wood pulp and recycled paper, would also rise.

Leading European and North American suppliers recently announced an *increase* in *pulp prices from* $520 a tonne to $580, starting next month.

SCA's most-traded A shares closed down SKr4.50 to SKr167.50.

Operating profits decreased from SKr1.27bn to SKr1.1bn, including a SKr125m one-off gain. SCA booked a SKr250m non-recurring gain in the first quarter last year.

The operating margin shrank from 8.6 per cent to 7.9 per cent, although the hygiene products division lifted its margin from 8 per cent to 11 per cent.

Group turnover was SKr14.2bn, against SKr14.7bn.

Operating profits in hygiene products rose from SKr519m to SKr686m, outstripping growth in sales from SKr6.2bn to SKr6.5bn. Volumes rose 11 per cent and prices slipped 5 per cent as raw materials prices fell.

SCA said growth was favourable in incontinence and feminine hygiene products, helped by low raw material costs. Tissue volumes rose to 180,000 tonnes, up 10 per cent.

Packaging sales fell 12 per cent to SKr3.3bn. Lower prices of corrugated packaging and liner triggered a sharp fall in earnings despite lower raw material costs.

Operating profits in packaging slid from SKr418m to SKr193m, although this represented a 17 per cent improvement on the fourth quarter last year - the *second consecutive quarter of* higher profitability.

In graphic paper, operating profits dipped from SKr222m to SKr65m on sales up from SKr3.9bn to SKr4.2bn.

Bouygues in talks on telecoms partnerships

By David Owen in Paris

Bouygues, the French construction group, yesterday confirmed it was in talks with Lyonnaise des Eaux, the French utilities and communications group, about possible telecommunications partnerships.

Bouygues operates France's third mobile telephone network, although the activity so far accounts for relatively little of its annual turnover of more than FFr80bn ($13.7bn). Lyonnaise *des Eaux is hoping to take* advantage of liberalisation to diversify into telecoms through its extensive cable network.

Mr Martin Bouygues, chairman, also revealed the company was in talks on possible telecoms ventures with a number of international groups. Last year, it joined forces with Stet, the *Italian group, to challenge* for a share of the French market.

Earlier this year, however, Bouygues suffered a setback when SNCF, the French state-owned railway, chose the telecoms operation of rival Générale des Eaux to help develop its telecoms network.

Separately, the company said it was considering a change in its accounting *methods* to *bring them* into line with international standards. The change would mean the company included profits from individual construction projects as work on the sites progresses, rather than all at once when the jobs are completed.

The company also said it expected to include non-recurring profits of FFr500m in *1997 – similar to last year,* when they accounted for a high proportion of overall profits of FFr654m.

● Paribas, the French financial group, yesterday confirmed it had sold its 3.5 per cent stake in Havas, the communications group, AP-Dow Jones reports from Paris.

The company said it had been a "gradual process". Press reports said Paribas sold its stake for about FFr1bn.

The sale has raised speculation that that other minority shareholders may sell their stakes. These include the state-owned Caisse des Depots *et Consignations* and France Telecom.

European operations may be run from London as brokerage posts Y165bn loss

Yamaichi to close Milan office

By Gillian Tett in Tokyo

Yamaichi, Japan's fourth-largest securities house, is likely to run its European operations through London after the closure, announced yesterday, of its Milan unit and two offices in Berlin and Madrid.

The retrenchment came as the group unveiled a large loss for last year, because of a fall in operating profits and a write-off of bad loans at a subsidiary.

In the year to March, the group posted a net loss of Y164.8bn ($1.3bn), compared with a profit of Y15.9bn the year before. This left a loss per share of Y136.31.

As with other Japanese securities houses, the main factor in Yamaichi's decline was a surge in provisions for bad loans. It wrote off Y150bn of support provided to a subsidiary, Yamaichi Finance. However, even before exceptionals, pre-tax profit fell from Y15.1bn to Y1.2bn. Operating income fell from Y13.9bn to Y1.5bn, while revenues fell 6 per cent to Y210.8bn.

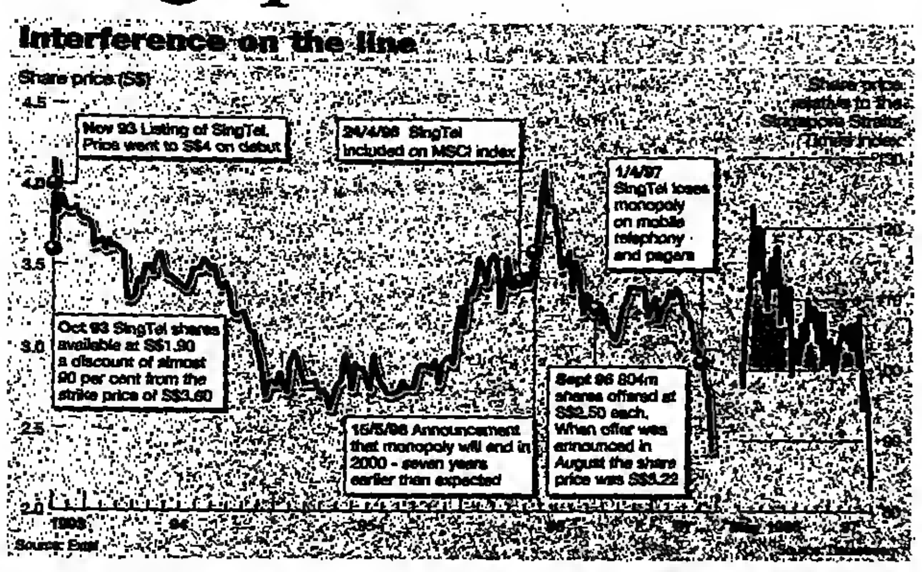
The weak results – which contrast with a rise in operating profits at Nomura, Japan's largest securities group – are likely to fuel unease about Yamaichi's longer-term strategy, analysts said.

Japan's securities business will face growing competition as a result of planned financial deregulation, including the abolition of fixed commissions next April.

Yamaichi's brokerage commissions fell 8 per cent last year, to Y60bn. The group said it was now trying to expand into investment trusts, where commissions rose 26 per cent to Y46.9bn.

The group said it was conducting an internal examination following revelations that Nomura had made illegal payments to a company related to corporate extortionists. The Ministry of Finance is investigating the big four securities companies, though it has not formally accused any of them of making such payments.

A wake-up call for Singapore Telecom



Singapore's government never intended that the advent of competition in the local telecommunications market from April 1 would herald the end of civility.

But what many thought would be a nibble out of the monopoly of Singapore Telecommunications has in fact torn a hole in one of Asia's biggest companies. The plunge in its share price has wiped about S$9bn (US$6.25bn) off SingTel's market value in the 27 days since it lost its monopoly in local mobile telephone and pager markets.

The main source of its problem has been MobileOne (M1), a consortium partly owned by Cable and Wireless, the UK telecoms company, and Hongkong Telecom. M1 announced that it had captured more than 35,000 mobile subscribers, or about 10 per cent of the market, since competition began.

"We can't find an example of any other telecoms company which has broken into a market so quickly anywhere in the world," says Mr Neil Montefiore, MobileOne chief executive. He forecasts a total market share of between 30 per cent and 50 per cent by 2000, and says that M1 will have between 80,000 and 100,000 subscribers by the end of the year.

But more surprising than M1's quick start was that it came at the expense of one of the world's largest telecoms companies, which is more than 82 per cent owned by the Singapore government holding company, Temasek, and which had ample time for preparation. "David has caught Goliath on the wrong foot," one local analyst says.

He says the reason that SingTel's share price is falling – it dropped 13 cents to an all-time low of S$2.38 yesterday – is not so much that investors are concerned over the revenues that M1 is winning, but that the island's biggest corporation has displayed a lack of market savvy.

Some investors believe this does not augur well for the opening of the island's fixed-line business to competition from April 2000 – the date was brought forward seven years – especially since the only consortium to have announced its interest so far promises to be one of the world's most formidable competitors. The consortium groups Concert (a merger of British Telecommunications and MCI, of the US) and Nippon Telegraph and Telephone with two powerful local companies, Singapore Technologies and Singapore Power, the island's state-owned electricity supplier.

Repeated appeals by government officials against "predatory pricing" before M1's launch may have lulled investors into a belief that competition would not be too bruising, analysts say. But SingTel has trimmed its prices twice since M1's launch: last week it announced cuts of up to 20 per cent on mobile charge rates to prevent it from losing market share.

It is well known that SingTel is actively looking for opportunities to enter overseas markets, especially in the Asia-Pacific region. Analysts say that competition at home may reinforce a sense of urgency in its search. The company is being enriched by a cash compensation of S$1.5bn for the early loss of its monopoly.

SingTel has already invested heavily abroad, but not always successfully. It paid S$945m for a 12 per cent stake in Belgacom, the Belgian national telephone company. The acquisition is expected to contribute to SingTel's profits this year but earnings are likely to be hit after 1998, when freer telecoms competition is introduced in Europe, analysts say.

SingTel is believed to be losing money with Globe Telecom, a joint venture with Ayala in the Philippines, and in India it is pulling out of a joint venture. SingTel executives have also recently cooled toward investing in China – where they have obvious cultural and linguistic synergies – in order to await regulatory changes in that market.

"They appear a little as if they are drifting," one analyst in Singapore says. "It is difficult to discern a coherent global strategy."

Others disagree. They say SingTel has the luxury of time: it has three years before it loses its fixed-line monopoly and it is set on reducing its international direct dial rates to competitive levels before that date.

In the meantime, however, it can continue to benefit from relatively large margins while competitors in Europe and the US suffer from intense price competition. Most analysts still believe that SingTel can pull off a double-digit increase in earnings this year, despite M1's unexpected inroads. In the year to March 31 1996, SingTel made a pre-tax profit of S$1.96bn on a turnover of S$4bn.

"As a short-term knee-jerk reaction, this [selling of SingTel's stock] is well overdone," says Mr Neil Juggins, analyst at Paribas Capital Markets in Singapore. "The company is no slouch at delivering quality services and it has got three more years to prepare."

James Kynge

Lion Nathan tumbles 21%

By Terry Hall in Wellington

Lion Nathan, the Australasian brewer, yesterday reported a 20.8 per cent fall in interim earnings to NZ$72.2m (US$50.1m) as beer sales fell and competition intensified.

Mr Douglas Myers, chief executive, was optimistic that the beer market was stabilising in Australia. The company also hoped to strengthen its position in New Zealand, where it had been gaining share in a shrinking market.

Mr Myers said Lion had increased its share of the New Zealand market from 53.9 per cent to 54.4 per cent, but overall consumption had dropped sharply because of poor summer weather, campaigns against drink-driving and increased discretionary spending following the opening of new casinos and other forms of gambling.

He said the company's breweries in China would increase earnings from next year, when the NZ$200m brewery in Suzhou is complete.

Revenue fell 3 per cent to NZ$1.34bn, while operating earnings fell from NZ$211m to NZ$181.5m. Chinese operations showed a loss of NZ$5.7m on sales of NZ$3.9m.

Australian earnings before tax fell from A$137.6m to A$123.8m on sales of A$792.3m. New Zealand earnings before tax fell from NZ$88.3m to NZ$80.1m on sales down from NZ$314.6m to NZ$309.5m.

Lion Nathan continued to show a deficit on its franchise to market and sell Pepsi Cola products. Losses climbed from NZ$2.6m to NZ$5.2m.

ASIA-PACIFIC NEWS DIGEST

Colonial's public offer closes early

Colonial, the Australian insurance and banking group which is in the final throes of demutualisation, yesterday closed off its public offer for shares four days early, saying demand had already been very heavy. It also announced that a separate institutional offer and the listing date for the company's stock would be brought forward by one week. The institutional offer will now take place between May 7 and May 9, and the company's shares will list on the stock exchange on May 12.

Mr Peter Smedley, managing director, said: "Demand from those who have already applied could not be satisfied to any reasonable extent if the offer were to remain open." The public offer was at a fixed price of A$2.60 a share, while institutions are being asked to bid in an indicative range of A$2.50 to A$2.90. The company is likely to be capitalised at around A$2bn (US$1.55bn).

Nikki Tait, Sydney

Shell Australia declines

Post-tax profits at Shell Australia, part of the international oil group, fell to A$277m (US$215.1m) in 1996, down from A$399m the previous year, after a loss at its coal operations and weak results from its oil products division.

The main upstream oil and gas division saw an improved result, earning A$232m after tax but before financing costs, compared with A$157m previously. Shell said the result reflected higher oil and LNG prices, which were only partly offset by lower production of oil, condensate and LPG, and the higher Australian dollar.

Nikki Tait

PLDT static after charge

Philippine Long Distance Telephone Company, the country's largest telecoms operator, yesterday announced static first-quarter profits of 1.28bn pesos ($49m) after taking an extraordinary 252m peso redundancy charge. Earnings per share slipped from 9.2 pesos to 8.8 pesos. Revenues increased from 6.57bn pesos to 7.37bn pesos.

Justin Marozzi, Manila

Zhejiang seeks HK listing

Zhejiang Expressway, the latest Chinese enterprise pushing for a Hong Kong listing, is planning to raise up to HK$3bn (US$387m). The initial public offering for the toll-road operator is expected to start next week, with trading in the shares scheduled for May 15.

The H-share issue – as the stock of a Hong Kong-listed Chinese enterprise is called – comes amid strong demand for mainland-linked shares. *Louise Lucas, Hong Kong*

First-time tax hits Nagarjuna

Nagarjuna Fertilisers & Chemicals, one of India's largest producers of urea, announced a 42.47 per cent fall in net profits for the year to end-March, to Rs1.55bn ($43m), because of a first-time provision for tax, a decline in other income and a rise in expenditure. Nevertheless, it plans to maintain its annual dividend at Rs1.8 a share.

Sales rose 4.36 per cent to Rs9.23bn, but other income fell 67 per cent to Rs274.1m. Expenditure was up 6.2 per cent to Rs5.46bn. Interest cost rose from Rs1.24bn to Rs1.43bn. Tax claimed Rs298.6m, compared with nothing in the previous year. *Kunal Bose, Calcutta*

New World bids for Siu-Fung

New World Development, the Hong Kong-based property conglomerate, has submitted a bid to take a majority stake in Siu-Fung Ceramics Holdings. Trading has been suspended since October in the shares of the troubled ceramics company, which has debts of more than HK$3bn (US$387m).

New World already has ceramics interests through Companion Building Materials and stakes in two ceramic tile factories in China. It is looking to expand into building materials in China. Siu-Fung's main assets are its 31 factories in China, all bar two for ceramics.

Louise Lucas

Evergreen Marine flat

Evergreen Marine, flagship of Taiwan's Evergreen group, one of the world's largest containerised shipping concerns, reported flat results for 1996 amid difficult market conditions. Net profits edged up from T$3.17bn to T$3.2bn (US$117m) in 1996, buoyed by subsidiaries, especially EVA Airways, the carrier in which Evergreen Marine has about a 25 per cent stake.

Pre-tax profits fell from T$3.93bn to T$3.86bn. Revenues slid from T$31.43bn to T$31.26bn. Net earnings per share fell from T$2.28 to T$2.07.

Analysts said long-haul container rates fell worldwide in 1996, especially on the trans-Pacific routes, because of an increase in supply and little rise in demand. The aggressive expansion of independent carriers contributed to oversupply.

The advent of limited direct shipping routes across the Taiwan strait last week – partially ending a ban dating from 1949 – will help Evergreen Marine. In the longer term, China will be an increasingly important market for the group, which is well positioned to capture anticipated rises in export volume.

Evergreen Marine has container terminal investments in Shanghai, Ningbo and Qingdao, and recently announced it would take a position in an inland container depot in Shenzhen. *Laura Tyson, Taipei*

THE BUSINESS OF FOOTBALL

New wealth has transformed Britain's top clubs, although lower down the ladder most still struggle financially. And there are questions over the sport's love affair with the stock market. **Patrick Harverson** reports

Route to riches for fortunate few


Illustration: Andrew Burns

The renaissance of British professional football in the 1990s has been nothing short of remarkable.

At the end of the 1980s, the national sport appeared mired in permanent decline, dogged by international footballing failure, poor quality domestic leagues, dwindling crowds, a small hardcore of violent fans, and decrepit – sometimes dangerous – stadiums.

Yet, in the past seven years, many of the soccer stadiums have been modernised and made safe, the hooliganism problem has been tackled, the crowds have been lured back by the Premiership, one of the most exciting and glamorous leagues in world football, and the national team has been made competitive again. The sport has even become fashionable in a way not seen since the 1960s and the heyday of George Best.

Success on the field has bred success off it, and the game's transformation has been matched by a revolution in the business of football. For the first time in more than a century of professionalism, the biggest clubs have the potential to generate consistent profits for their owners.

Rising income from the sale of television rights, sponsorship, advertising, club merchandise, corporate hospitality and gate receipts have dramatically altered the economics of the game.

While some of the new wealth has been handed back to the players in the form of higher wages, and transfer fees remain a substantial cost, for the top clubs the prospects for profits growth look good, particularly if the introduction of pay-per-view (PPV) programming on digital television – due near the turn of the century – proves popular with the public.

The growing prosperity of football's elite has attracted the attention of corporate, institutional and wealthy private investors. It was their new-found interest in the sport less than two years ago that created the foundations for perhaps the most extraordinary recent development in the business of football – the rush of football clubs to join the stock market in the last 18 months.

Since 1996, the number of clubs listed on the market has jumped from five – Tottenham Hotspur, Millwall, Manchester United, Celtic and Preston North End were the pioneers – to 15, a figure that will climb this year as more clubs prepare to float. The sector's combined market capitalisation today stands at about £1.25bn, a figure that roughly doubles if the value of the bigger clubs whose shares are traded outside the market is included.

Two factors sparked the rush of clubs to the market. The clubs needed money to fund the redevelopment of their stadiums, the purchase of players and the growth of their commercial activities, and investors were happy to hand it over to them in return for a share in the game's future riches. Rising revenues, particularly from television, and an improvement in the quality of business management in the game, helped persuade institutional and private investors that some clubs were potentially profitable enterprises.

Also, clubs floated because their businessmen owners saw an opportunity to cash in on football's popularity within the City of London. Only a few have sold out completely, but most owners have been happy to maintain significant stakes in their clubs while enjoying the dramatic appreciation in the value of their equity holdings.

However, football's love affair with the stock market has not gone smoothly. The relationship has been rocked in the last three months by a sharp fall in football club share prices amid profit-taking by professional investors, a deterioration in some clubs' playing performances, and a growing realisation within the investment community that shares had been pushed far too high on unrealistic assumptions of future profits growth, particularly from pay-per-view television.

In spite of these setbacks, football is now well-established as a stock market sector in its own right. Nor do investors just see football as part of the burgeoning leisure industry. They also regard buying shares in many of the bigger clubs as an investment in the media industry. A stake in a top club affords the opportunity to share in the income generated from the increasingly valuable broadcasting rights that the clubs own either collectively or individually.

However, the transformation of football as a business has not been achieved at every level of the professional game. Anything but, in fact, for football's new-found riches have so far been confined primarily to the big clubs in the Premier League. The trickle-down effect, whereby rising income at the top should have enriched clubs throughout the lower leagues, has not happened.

Most clubs are chronically unprofitable, a large number remain heavily in debt, and a sizeable minority would go out of business were it not for sympathetic bankers, indulgent deep-pocketed owners and loyal, if long-suffering, fans.

For scores of medium and small-sized clubs, the economics of the game simply do not add up. Revenues from television rights sales have climbed, but not nearly enough. Attendances are up, but can be volatile because they remain closely tied to performance, and merchandising is a modest business outside the Premiership.

Most importantly, changes in transfer patterns dictated by the "Bosman" ruling in the European Court of Justice – which allowed out-of-contract players to move to clubs in other countries without a transfer fee – have persuaded the bigger British clubs to buy fewer young players from smaller domestic clubs and more older players from overseas.

The result has been a reduction in the flow of income to the lower leagues that for so long has been a financial lifeline for smaller clubs. And while they are being deprived of a vital source of funds, many smaller clubs remain tempted to invest substantially in transfer fees and higher wages for better players in the hope of gaining promotion to a higher division.

The result is most clubs lose money, and such is the parlous state of football's finances outside the Premiership that the English Football League has commissioned the accountants Deloitte & Touche to draw up options for a radical restructuring of the the three lower divisions.

Among the possible suggestions are a return to geographically-based divisions that would cut down on clubs' travelling costs, increase the number of lucrative local "derbies", and an encouragement of closer financial and footballing ties between the top clubs and those lower down the leagues. While many in football oppose the idea of small clubs becoming "feeder teams" for the Premiership elite, such alliances are clearly the shape of the future.

The growing gap between the haves and have-nots is also troubling football in Scotland. There, clubs in the Premier Division – long dominated unhealthily by the Glasgow giants, Celtic and Rangers – and in the three lower divisions realise, like their counterparts in England, that they need to find a way to ensure the bigger clubs can benefit more from their popular appeal without jeopardising the existence of their smaller brethren.

Amid the changes reshaping football's landscape, the sport faces many trials: how to cope with the continuing aftershocks of the Bosman ruling; how to handle the introduction of pay-per-view television; how to manage the creation of a European super league without threatening the vibrancy of the domestic leagues.

Yet it is the issue of how the bigger clubs can continue to nurture their growth as businesses while sharing their new-found wealth more equitably to protect the grass-roots of the game that remains arguably football's biggest challenge.

TELEVISION • by Patrick Harverson

Cosy relationship will be tested

Clubs themselves may eventually hold control of match broadcasting

It has always been evident that football needs television and television needs football.

For football, television is the sport's shop window, and in the last five years Sky Sports' coverage of the English Premier League has proved what an effective shop window it can be. For television, football attracts large audiences and viewers the advertisers want to reach; for pay-to-view broadcasters like Sky, the sport sells subscriptions like no other programming.

However, in the next few years the nature of the relationship will almost certainly change, and football and television will find out which needs the other the most. Most media and legal experts believe that eventually football, in the form of the largest and most powerful clubs in Europe, will emerge with the upper hand.

For the moment, however, football is beholden to the broadcasters, and with good reason. In Britain, the hundreds of millions of pounds invested in football by Sky has enriched many clubs beyond their wildest dreams.

Before the formation of the Premier League in 1992, the top clubs earned well under £1m a year from the sale of broadcasting rights. Under the terms of the league's new four-year deal with Sky, starting with the next season in August, an average mid-table Premiership club will earn about £8m a year from domestic broadcasting rights. Clubs that do well in top European competition could ultimately double that figure.

The growth in television revenues should accelerate further once pay-per-view (PPV) coverage of football using new digital technology has been introduced. This will allow the big clubs to tap directly into demand for their games.

However, with so many questions about PPV unanswered – how much will the service cost viewers? how will the broadcaster share the revenues with the clubs? and how will the clubs share their income among themselves? – predicting future revenues is difficult.

Forecasts compiled by UBS, the London securities house, estimate that by 2000 the top Premier League clubs will be earning an extra £9m a year from PPV, and those lower down the table about £3m a year more than at present. By 2002, UBS believes those totals will jump to about £17m and £5.5m extra a year for the top and bottom clubs respectively.

Moreover, if, as looks likely, games in European club competition are to be broadcast on a PPV basis, the most successful clubs could be earning even more than that from PPV television by the turn of the century.

However, forecasts of what clubs will earn from future broadcasting deals could soon become irrelevant if the courts intervene to rewrite the rules on television rights ownership. The long-standing system whereby football broadcasting rights are owned and sold by the football league organisations on behalf of their member-clubs is now under legal challenge throughout Europe.

In the Netherlands last year, the Feyenoord club took the Dutch league to court over the sale of television rights to its and other clubs' games to a new broadcaster. Although the court did not decide the issue outright, it favoured the club's ownership of the rights to its home games, and the Dutch league's new television deal soon collapsed.

In Spain, two big clubs – Barcelona and Real Madrid – are currently challenging the right of the league to sell their games on a collective basis to the terrestrial broadcaster, and for a good reason: they had already sold the same rights to a cable television company, and the two clubs are now looking to the courts to settle the issue.

Meanwhile, in Britain, the Restrictive Practices Court has been asked by the Office of Fair Trading (OFT) to investigate Sky Television's new deal with the Premier League. The OFT believes the league acted as a cartel, and wants it to explain to the court why restrictions preventing the clubs from negotiating their own broadcasting deals are in football's and the public's interest.

At the same time, the European Commission is keeping a close eye on the issue of television rights ownership. Mr Stephen Hornsby, a specialist in competition law in sport and the media, says football should expect the commission to take action.

He says: "It will be looking to make a decision as to who should be able to exploit the broadcasting rights. "My own view is that the individual clubs should be able to sell their own home games."

Mr Hornsby believes the Restrictive Practices Court may come to a similar conclusion about the Premier League's new contract with Sky, although most experts believe some sort of compromise will emerge, allowing the broadcasters to buy the rights from collectively-organised leagues and yet also giving the clubs greater freedom to negotiate individual deals in the PPV arena and in the sale of European games.

Whatever the result of the court cases and legal inquiries, the longer-term trend appears to signal a shift in television rights ownership away from the leagues to the clubs, which can only be to the benefit of the big clubs. However, football and the broadcasters will have to ensure that the smaller clubs are not cut adrift financially in the broadcasting rights revolution.

As for the television companies, their power appears to be waning. It is possible to conceive of a future in which Manchester United operates its own broadcasting division, which produces coverage of all its home games and sells it to the highest broadcasting bidder. As other sectors of the leisure industry – notably film and television – have discovered, content is king. And in football, it is becoming clear that the clubs own the content.

STOCK MARKET • by Patrick Harverson

Maturity develops in share trading

Like any relationship, the stock market's love affair with football has included its ups and downs.

There was an infatuation with the game, when investors rushed to participate in football's profits boom and share prices soared to unsustainable levels.

Then there was disillusionment when investors realised the boom had been overhyped and that only a few clubs were consistently profitable. Amid the recognition that growth prospects were nothing like as exciting as had been hoped, share prices fell sharply.

Now, the relationship is reaching a more mature stage. There is an acceptance that while football has its flaws, the big clubs offer secure long-term growth potential, the medium-sized clubs remain unpredictable because they will be largely footballing performance-led, and the smaller clubs represent purely speculative plays for the brave-hearted investor.

This reassessment has allowed share prices to settle into a more manageable trading range, although a handful remain susceptible to the sudden shifts in sentiment prompted by setbacks and triumphs in football's end-of-season relegation and promotion battles.

However, the scars of this year's sell-off have not fully healed, and investors are sceptical of clubs that make promises that may prove difficult to fulfil.

In particular, shares in clubs such as Newcastle United, Southampton, Birmingham City and Charlton Athletic may languish if the growth prospects of the businesses rely on long-term stadium construction plans or hopes of promotion to higher divisions.

Yet, despite concerns about individual clubs, the sector will almost certainly continue to grow. More clubs, such as Leicester City and Nottingham Forest, are planning flotations, while some even bigger names, wait in the wings.

NRI football clubs index

Source: Nomura International

	Price at 1/1/96 or float (pence)	Price at 25/4/97 (pence)	Change (%)	Market cap (£m)
Celtic	6,550.0	28,500.0	+335.1	82.85
Manchester Utd	196.0	663.5	+238.5	430.89
Tottenham Hotspur	44.25	105.5	+335.7	105.63
Southampton Leisure*	47.0	94.0	+100.0	9.74
Chelsea Village	60.0	119.0	+98.3	185.74
Millwall***	2.25	4.0	+77.8	14.40
Caspian (Leeds Utd)	18.5	28.5	+54.1	81.19
Preston North End	400.0	550.0	+37.5	11.05
Sheffield Utd**	60.0	65.0	+8.3	32.32
Newcastle Utd	135.0	125.0	-7.4	179.05
Birmingham City	50.0	46.0	-8.0	6.90
Loftus Road (QPR)	72.0	65.5	-9.7	28.00
Sunderland	585.0	475.0	-18.8	38.71
Charlton Athletic	80.0	57.5	-28.1	12.57
West Bromwich Albion	28,000.0	20,000	-28.5	34.80

*reverse takeover of Secure Retirement, whose shares were suspended at 47p on 10/12/96
**reverse takeover of Conrad. Placing at 60p ***Millwall shares suspended at 4p on 21/1/97

COMPANIES AND FINANCE: UK

Legal action is dropped in aftermath of failed takeover bid by Andrew Regan

Hambros Bank apologises to CWS

By David Blackwell and Clay Harris

Hambros Bank of the UK yesterday acted swiftly to salvage its reputation with a top-level public apology to the Co-operative Wholesale Society for its actions while it was working for Mr Andrew Regan, the businessman forced last week to drop a planned takeover bid.

Sir Chips Keswick, Hambros chairman, told Mr Graham Melmoth, CWS chief executive, that the bank's judgment "in proceeding the way it did fell well below our standards and those which you were entitled to expect from us."

The role of Hambros in copying confidential CWS documents, which were supplied by a Co-op executive to Mr Regan, and circulating them to more than a dozen leading banks and other financial firms had been revealed in the High Court last week.

The CWS yesterday droppad its legal action against Hambros after receiving the unusual public apology and an assurance that the bank was taking "appropriate action to ensure that this will not happen again".

It also said it would not proceed with action against tha law firm acting for Mr Regan, Travers Smith Braithwaite, after receiving a similar "unreserved apology."

Hambros and Travers Smith Braithwaite are both understood to have made substantial financial settlements with the CWS.

After consulting its regulators, the Bank of England and the Securities and Futures Authority, Hambros has asked Norton Rose, its lawyers, to conduct an inquiry. Any action against individuals will swait its outcome.

Hambros also said it had severed its links with Mr Regan's companies, Lanica Trust and Galileo Group.

The CWS is pursuing its civil claim for damages against Lanica, Galileo, Mr Regan, his business partner Mr David Lyons, and Mr Allan Green, the Co-op senior retailing executive who has sdmitted supplying the would-be bidders with a wide range of confidential internal information.

Galileo, Lanica's unquoted offshoot through which Mr Regan intended to make the takeover bid, is expected to be put into voluntary liquidation this week. Lanica shares have been suspended since February.

Meanwhile, Mr Ronald Zimet, a businessman whose previous dealings with Mr Regan had come under close scrutiny, resigned as chairman of Freepages, a telephone-based information company.

Mr Regan's former company, Hobson, made a £2.4m ($3.8m) payment in January 1995 to the Swiss bank account of Trellis International, a British Virgin Islands company "controlled" by Mr Zimet. Internal documents at Hobson, a food manufacturer, said the secret payment was mada for Mr Zimet's role in negotiating an extension of an exclusive supply contract with CWS.

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CWC valued at £4.5bn on first day

By Christopher Price

Cable & Wireless Communications, Britain's largest combined telecommunications and entertainment provider, was valued at £4.46bn ($7.22bn) on its London stock market debut yesterday.

Shares in the company, which is the biggest challenge yet to British Telecommunications' dominance of the UK telecoms market, opened at 300p and closed at 299½p.

In New York, the American Despository Receipts comprising blocks of the shares opened at $24⅝ and were unchanged in early trading.

About 7.5m shares were traded in London; nearly 1.5bn were issued.

Mr Richard Brown, chief executive of Cable and Wireless, which owns 52 per cent of CWC, said: "We have delivered this complax merger on schedule and created a powerful new force in the UK telecoms industry."

CWC, which comprises Msrcury, tha UK telecoms business of C&W, and the cable companies Nynax CableComms, Bell Cablemedia and Videotron, will have more than 1m telecoms customers and 600,000 television subscribers.

Analysts have been generally positive about the group's outlook, with most valuing it in excess of £5bn.

CWC acknowledges its main task will be completing its half-built cable network and concentrating on marketing its range of multimedia services. Completion is likely to take two years and will cost a further £2.3bn.


Fergus Wilde

Speculation mounts over Liam Strong's future

Radical restructuring expected from Sears

By Peggy Hollinger

Sears is today expected to unveil a long-awaited restructuring plan as speculation mounts over the fate of the troubled ratail conglomerate's chief executive, Mr Liam Strong.

Mr Strong, who has faced down calls for his resignation recently from investors unhappy with the company's disintegrating share price, is expected to make his position clear at the group's results meeting today.

He is also aiming to announce that a price of about £365m ($591m) has been agreed for the sale of Freemans, Sears' mail-order business, to the private group Littlewoods. Agreement on a deal has taken longer than planned, with Littlewoods offering a price some £30m less than it initially indicated late last year.

There was some speculation yesterday that Mr Strong would resign in advance of today's results. However, analysts also suggested he might remain for 12 months to see through a break-up of the group. "Either way Liam Strong goes," said one analyst. "If they split up the group he would be out of a job in 12 months anyway." The broker estimated the break-up value of the group at "little more than 80p" against a share price last night of 77½p, up 1p.

The board is widely expected to announce a radical restructuring today, including the closure or disposal of large parts of the lossmaking British Shoe Corporation.

Analysts are expecting Sears to report a further deterioration in the shoe division. One broker said losses in the division could be between £10m and £20m, against profits last year of £7.5m. This contradicts Mr Strong's promise in last year's annual report that a previous restructuring would improve the footwear business' profitability by £3.5m in 1996-97, and by £8m in the year just started.

Halifax dealings fears for Crest

By Christopher Brown-Humes

Fears tbat Crest, the electronic share settlement system, might collapse under the weight of tha £13bn ($21.1bn) Halifax flotation rose yesterday after the building society said a surge of early share sales by members with share certificates could cause chaos.

It said heavy volumes could also overwhelm phone lines and stockbrokers.

The warning came as it set a conservative floor price of 415p for shares sold through the auctions the society is arranging for people who want to sell immediately after flotation.

Many analysts believe the shares will start trading above £5, with some predictions going as high as £6.

Halifax is worried by recent press articles advising members to take share certificates if they want the best price from selling immediately, rather than participating in auctions run by the society's brokers, Merrill Lynch and Cazenove.

This follows tha market debut of Alliance & Leicester last week when those selling in the market could generally have got a better price than those selling via auction. Halifax would he happy if members opted to hold their shares through its nominee account, becausa this enables trades to be aggregated.

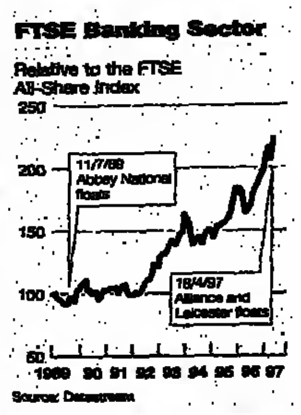
Mr Gary Marsh, Halifax assistant general manager, said: "If we have as many sellers as Alliance & Leicester, we are talking about 1.5m to 2m people.

"If they all opt for individual share certificates, we know the system could not cope – whether it is Crest, the capacity of brokers or the phone system."

Halifax began roadshows yesterday to market the new bank to institutions. These will take place in London, Scotland, Paris, Frankfurt and Zurich.

LEX COMMENT

Halifax



Will the Halifax shareholder take the long view? In the next few weeks we will find out as Halifax's 7.6m members reveal whether they have chosen to follow the 27 per cent of Alliance & Leicester members who sold their shares immediately. In that case it was shown that s little patience was rewarded by a higher price in the market. Halifax msmbers should take note. If anything, the forces which drove up A&L's price so sharply on listing will apply with greater force. One thing is sure – short of divine intervention or market collapse, shareholders can look forward to s substantially higher price than the the 415p floor announced yesterday.

Rough cashflow calculations suggest that, on fundamentals, a Halifax share should be worth st least £5, perhaps as much as £5.40. But the early scramble for stock can produce a technical squeeze which drives the shares beyond any fundamental value. For Halifax, this could be more pronounced than with A&L – its sheer size will make it more difficult for index-tracking institutions to stand aside as they did with A&L.

The wise course will be not to sell at all. Halifax has huge potential: a powerful brand, low costs – which can be lower still – and 19m customers to sell to as it evolves into a diversified retail financial financial services provider. At the moment it sells them a measly average of 1.4 products each. That figure could and should be higher. When it delivers, the rewards for those patient enough to wait will be considerable.

Spending jumps at Chiroscience

By Daniel Green

Chiroscience, one of the UK's largest biotechnology companies, has sharply increased spending and losses in an effort to push its most advanced products to market.

The group yesterday reported a pre-tax loss of £18.7m ($30.3m) for the year to February, against £11.6m.

Expenses were £27.1m, up 67 per cent on last year's £16.3m. There was net cash and investments of £51.4m.

The spending rate was higher than analysts had expected, and the shares fell 17½p to 385p.

Costs were rising because the most important drug in development, the anaesthetic levobupivacaine, had entered the final and most expensive medical tests.

Mr John Padfield, chief executive, said the trials should be over in time for the drug to be submitted to European medicine regulators by the end of this year.

In the meantime, he said, finances were being bolstered by the rapid growth of the ChiroTech division, which manufactures pharmaceutical ingredients for third parties.

ChiroTech sales more than doubled to £9.2m, accounting for most of total revenues of £11.5m (£5m).

Leeds Utd chief departs

By Patrick Harverson

Mr Robin Launders resigned as chief executive of Leeds United yesterday following a clash with senior management at Caspian, the football club's parent company. The former Manehester United finance director had been in post just eight months.

His departure follows delays in plans to build a £30m ($48.6m) sports arena alongside the club's Elland Road stadium.

Mr Launders was asked to step down by Mr Chris Akers, Caspian's chairman, following complaints by Leeds city council about Mr Launders' brusque negotiating style during talks over the stadium development. Caspian was also said to be unhappy with his management style.

Last night Mr Launders said he was surprised he had been asked to resign. He admitted that he had put his case to the council in a "robust" manner, and said it had been upset because it was not getting its own way.

His removal surprised the City and dismayed some analysts and institutions who had regarded his hiring last August as a coup.

While Mr Launders' departure will not cost Caspian a great deal – he will receive one year's salary, worth £150,000 – analysts said the group's credibility had been dented, and the shares fell 2½p to 26p.

Diversity may force metamorphosis

Christopher Price examines what the future holds for Racal Electronics

"Moving from Transition to Growth" was the title of a presentation given recently to senior staff of Racal Electronics by Mr David Elsbury, chief executive.

After the profits warning 11 days ago – the second in four months – some City analysts are wondering whether the defence alectronics group will be in its present form much longer to fulfil his promise.

"Although some of its businessas occupy strong market positions, the group's return on sales is inadequate," says Mr Mike Styles of Credit Lyonnais Laing, the stockbroker.

He and a growing number of analysts believe a disappointing performance together with the discrete nature of Racal's businesses will trigger, if not a full-blown demerger, then at least a fundamental restructuring.

This speculation has been fuelled by the company's admission that it is considering joint ventures or partnerships for two key divisions – radio and managed networks – which account for about 30 per cent of sales.

In addition, radio operations, where a profit collapse prompted December's warning, is undergoing a "strategic reviaw". The radio division is part of the Archer consortium, recently selected by the Ministry of Defence to tender for the new £2bn battlefield radio.

Racal Network Services is the world's seventh largest managed data network provider. However, Racal believes it needs local service connections and an international telecoms group to underpin the strategy of expanding its overseas business. Both the radio unit and RNS require substantial cash injections, which equity partners would provide.

Data products, based in Florida in the US, has also attracted speculation over its future. The business has cost Racal about £100m in losses, investment and restructuring over the past four years. New management last year has failed to turn the division round, and last year's £20m loss is likely to be repeated in 1996-97.

"If radio and managed networks are put into joint ventures then you are left with a very idiosyncratic collection of businesses for Racal to run," says Mr Mark Davies Jones of Salomon Brothers.

Re-shaping has figured prominently in Racal's development since demerging from Vodafone in 1991 and Chubb Security in 1992. Out hava gone the Redac computer-aided engineering and marine businesses, among others. In have come the Thorn Sensors defence alectronics, BRT telecoms network and a slice of Camelot, tha lottery operator.

Racal's transition has been driven by chairman Sir Ernest Harrison, a renowned dealmaker. At 70, his age had fuelled the notion of restructuring. However, he has "no short-term plans to retire", and intends to turn round data products.

The changing face of Racal has been reflected in its mixed trading performance since 1992. Pre-tax profits, adjusted for accountancy standard FRS 3, started at £47.7m, virtually halved in 1993-94 because of disposal provisions, doubled in 1994-95 and improved to £70.4m last year, chiefly due to £8.6m from Camelot.

Sales over the four years have increased 15 per cent to just over £1bn, while earnings per share have risen 61 per cent, and the share price has nearly doubled. Gearing is about 75 per cent.

Following the latest profits warning, analysts expect profits of a little more than £40m in the year to March 31 1997. The management's credibility has also been called into question by the two warnings, which followed predictions by Mr Elsbury last June and Sir Ernest in August that last year's pre-tax profits would be beaten this year, despite a £20m provision.

While agreeing on the likelihood of restructuring, analysts are divided over the values of the various businesses. These range from £530m from ABN Amro Hoare Govett, to £1.1bn by Credit Lyonnais Laing and Salomon Brothers.

Racal points to the outperformance of the shares since 1992, despite the profits warnings. "We shall be spelling out our strategy for the business with our results on June 3," it said. "Shareholders will then be able to judge for themselves the valne attached to the company."

Sir Ernest Harrison, chairman

Unilever in haircare disposal to Shiseido

Unilever, tha Anglo-Dutch consumer group, is selling its Helene Curtis professional haircare products business in Japan to Shiseido, the country's leading manufacturer of cosmetics.

No price was put on the deal, which takes in all product and trademark rights, but industry sources estimated its value at between Y3.5bn-Y4bn ($28m-$32m).

The sale of Helene Curtis Japan, which deals with more than 50,000 salons throughout Japan and had net sales of about Y5bn in 1996, follows Unilever's disposal last November of the business's US and Canadian professional haircare operations to Shiseido's US offshoot.

The deal reflects Unilever's retrenchment in its general retail operations and Shiseido's aggressive strategy to lift overseas sales while continuing to strengthen its domestic base. It will operate Helene Curtis Japan as an independent subsidiary and retain its brands.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Alexandra Workwear	Yr to Feb 1	65.9	(65.3)	1.1♠	(5.3)	2.2	(10.3)	4	June 27	4	6.5	6.5
Chiroscience	Yr to Feb 28	11.5	(4.96)	16.7L	(11.6L)	21.9L†	(15.8L)	-	-	-	-	-
EIS	Yr to Dec 31	540.1	(422.9)	23.4	(20.3)	28.7	(28.5)	9.9	July 10	9.6	13.5	13.1
Grampian TV	Yr to Feb 28	24.1	(24.8)	11.8♥	(5.78)	25.7	(11.6)	5.25	July 1	4.15	7.25	5.4
Harborough Plants	6 mths to Dec 31	0.23	(0.263)	0.088	(0.129)	0.66	(0.97)	0.5‡	June 27	0.5	-	1.7
Nash (William)	Yr to Dec 31	9.68	(9.82)	3.23	(2.8)	27.26	(23.86)	4.9	June 2	4.2	7.5	6.7
Revelation Plcc ϕ	Yr to Feb 23 ★	5.58	(4.15)	0.271	(0.069)	0.692†	(0.415)	0.079	June 30	-	0.079	-
S&U	Yr to Jan 31	60.5	(64.7)	7.13	(7.02)	39.31	(37.8)	14	July 1	12.5	15	16
Strategem	6 mths to Feb 28	74.5	(55.2)	0.709	(0.449)	2	(1)	2	July 1	2	-	4
Surrey Free Inns ϕ	36 wks to Feb 9	10.7	(-)	1.56	(-)	12.8	(-)	-	-	-	-	2.25
Water Hall	Yr to Dec 31	4.31	(4.73)	0.042L♠	(0.109♠)	0.01L	(0.02)	nil	-	nil	nil	nil
West 175 ϕ $	Yr to Dec 31	2.92	(3.64)	0.07§§	(0.51)	0.05L	(0.14)	-	-	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Emerg Mkts Country	Yr to Jan 31	55.98	(55.41)	0.041	(0.101L)	0.061	(0.015L)	-	-	0.4	-	0.4
Investors Capital	6 mths to Mar 31 ★	188.6	(170.6◆)	6.47	(6.99)	2.6	(2.8)	1.35‡	June 9	1.35	-	5.4
Lowland	6 mths to Mar 31	359.8	(333.7)	0.941	(1.05)	3.97	(4.42)	4.3	June 11	4	-	11
Mercury Keystone	6 mths to Mar 31	902.02	(810.59)	1.61	(3.6)	11.35	(25.36)	6.5	June 19	6	-	19#

Earnings shown basic. Dividends shown net except ‡Gross throughout. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. ★Comparatives restated. §§Before accounting change. ◆At September 30. ‡Second interim; makes 2.7p to date. #Excludes 12p special.

INTERNATIONAL CAPITAL MARKETS

Currency appreciation lifts Spain and Italy

GOVERNMENT BONDS

By Edward Luce in London and Tracy Corrigan in New York

The appreciatioo of the lira and the peseta boosted Spanish and Italian government bond prices yesterday in an otherwise lacklustre market ahead of the release of US ecooomic data this week.

Economists said European markets were likely to trade on small volumes during the week, with most countries taking public bolidays oo Thursday and Friday.

Tbe impact of tbe US employment cost index, to be released today, and the US purchasing maoagers index, due later in the week, could have a disproportiooately strong impact on European markets, they said.

In additioo, several public holidays in Japan – including "Greenery Day" today – would weaken overoight buying during the week. Only the UK, Denmark and Finland would be open on Friday to respood to the release of US non-farm payroll data.

"The market is likely to be superficially volatile this week only because trading is going to be so thin," said Ms Alison Cottrell, international ecooomist at PaineWebber in London. "Those that are open will almost exclusively devote their attention to what's happening across the Atlantic."

The meeting of the Group of Seven finance ministers in tbe US gave tbe markets little direction yesterday, with most traders dismissing the statement oo currency co-operation as "vague".

Analysts said that foreign currency-related buying would likely he postponed until after this week's data bad been absorbed.

Nevertheless, the cootinued streogth of the dollar helped boost the currencies of the high-yielding countries yesterday, whicb in turn belped governmeot bond markets.

Tbe June contract on 10-year Italian BTPs rose by 0.75 to close at 126.70 in London. Spreads over German bunds tightened marginally to 180 hasis points in the casb bond market.

Spanisb bonos advanced in line with BTPs, closing 0.58 higher at 113.19 in Barcelona.

"Both bonos and BTPs have been trading in a reasonably tight range over tha last few weeks and look unlikely to break out of tham for the foreseeable future," said Mr Luca Jellinek, bond strategist at Paribas in London. "Only a very unexpected piece of good news on European monetary union would help them break out of that."

Opinioo polls at the weekend showing a better than expected ontlook for the centre-right parties in the parliamentary elections at the end of May helped French bond futures in an otherwise directionless market. The June futures contract on OATs closed 0.4 higher at 128.32 on Matif.

German bunds closed marginally lower in London, down just 0.3 to close at 100.41.

Economists said that the Bundesbank would almost certainly leave German repo rates unchanged at 3 per cent at the monetary council meeting tomorrow.

Traders attributed the relatively good performance of the UK gilts market to troubles in the governing Conservative party's election campaign over the weekend.

With most now ruling out the possibility of a surprise reversal for the Labour party before polling day on Thursday, the markets are interpreting good naws for Lahour as good news for gilts.

"The gilts markets are really more focused on the policy implications of a new government and on that, Labour would appear to be quite reassuring," said Mr Adam Chester, a bond strategist at Yamaichi.

Gilt futures rose by ¼ to close at 109$\frac{1}{32}$.

US Treasury prices were little changed in thin trading yesterday morning, as the market geared np for a heavy weak of economic news.

Just before midday, the long bond was unchanged at 93$\frac{18}{32}$ to yiald 7.133 per cent. At the short end of the yield curve, two-year and five-year notes were up $\frac{1}{32}$ to yield 6.51 per cent and 6.827 per cent respectively.

Analysts will be scrutinising this week's data for signs of wbetber, and by how much, Federal Reserve officials may raise interest rates at their next policy meeting, scheduled for May 20. Many analysts are expecting the year's secood 25 basis point rise in interest rates at the meeting.

The release of new home sales data had little impact on the bond markat. New home sales fell in March to 813,000, but are not viewed as being among tha inflationary pressures whicb could push the Fed to tighten monetary policy again.

Today's amployment cost index is expected to rise by 0.98 per cent in the first quarter, compared with 0.8 per cent in the previous quarter.

Other important data due this week are first-quarter gross national product oumbers and employment reports .

Brazil offers parallel bond

INTERNATIONAL BONDS

By Samer Iskandar

Brazil yesterday became tbe first emerging market borrower to launcb a tbree-tranche parallel bond.

Parallel bonds are issued in currencies believed to be strong candidates for early membership in European ecooomic and monetary union. Brazil chose French francs, Dutch guilders and Austriao schilliogs. All bonds are ideotical in terms of coupon and maturity, and become fungihle in one large issue deoominated in euros – the planned single currency – after Emu.

"We chose three markets witb bighly correlated underlyiog governmeot bonds," said ING Barings, arranger of the deal and lead manager of the gullder tranche. It also said It was "very pleased with the market's response".

Bankers said the Frencb franc-deoomlnated tranche was proviog dlfficult to place. "There are few investors in France who have invested in emerging market instruments before," said a syndicate official at a Freoch bank, adding that a higher coupoo would have helped attract demand.

The lead managers, however, insisted the pricing was appropriate. "Setting tbe coupon at 7 per ceot – as some of our competitors bave suggested – would bave heeo like asking the World Bank to pay [a spread of] 65 basis points over Treasuries," said ooe of the lead managers. "This is just not in line with reality."

ING said placement in the Netherlands was belped hy demand from large pensioo funds, while Austrian investors showed a strong appetite as tbey had more experieoce with emerging markets than the French.

One Frencb banker said the transactioo was a landmark for France. "We need to develop a high-yield market in francs," he explained. "Brazil is ideal as a debut issuer, because it combines a good credit story with a high spread."

The European Investment Bank also showed innovation in the Frencb franc sector, launching its first floating-rate issue – the first such issue by any supranational borrower in the 1990s, according to one banker.

"There was demand for sbort-deted paper from money market investors and no supply," said BNP, the lead manager. "We also saw a lot of foreign investors looking for defensive investments due to the uncertain eovironmeot."

A long-term securitisation inspired hy the UK's Private Finance Initiative was "significantly oversubscribed", mainly by UK institutions, according to lead manager Morgan Stanley.

Antolink Concessionaires (M6) is a special project entity set up hy construction companies participating in the construction and maintenance of a 100km sectioo of the M6 motorway between Carlisle (England) and Millbank (Scotland).

The boods are backed hy future receipts of shadow tolls for the use of the road.

The securities have been awarded top ratings by S&P and Moody's, the US credit rating agencles, with help from a credit insurance from FSA, a specialised financial institution. Morgan Stanley said the strong demand had allowed it to price the bonds at the higher end of the indicated pricing range.

"We took a long time to prepare this deal and build up e strong order book," it said. "The paper was placed with long-term investors who plan to hang on to it."

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
World Omni 1007-A(a)★‡	1.1bn	-	-	Jun 2003	-	-	Merrill Lynch
CSFB, London Branch(b)	500	7.90	99.713R	Undated	0.875R	+100(6¼%-07)	CSFB Corp, NY
Pemex	300	8.50#	99.589R	May 2002	0.45R	+160(6⅝%-02)	Goldman/SBC Warburg
Den norske Bank(c)‡	110	(c1)	99.929R	May 2007	0.40R	-	Chase/Salomon Brothers
D-MARKS							
IBM International Finance	200	4.875	99.805R	May 2002	0.25R	+14(8%Jan02)	Deutsche Morgan Grenfell
STERLING							
Oest Kontrollbank(s)★	150	6.30	100.00	Nov 1998	0.50	-	Nikko Europe
Autolink M6, Class A(d,s)	125	8.39#	100.00R	Jun 2022	0.625R	+62(9%-2015)	Morgan Stanley & Co Intl
FRENCH FRANCS							
European Inv'ment Bank‡	3bn	(e,s)	99.91R	Mar 2002	0.15R	-	Banque Nationale de Paris
Federative Rep of Brazil(f)	1bn	6.625	99.48R	May 2002	0.60R	+185(i)	Paribas
SWISS FRANCS							
JP Morgan & Co(g,s)	100	2.00	98.80	Dec 2001	2.00	-	SBC Warburg
ITALIAN LIRE							
World Bank	300bn	6.95	101.725	May 2002	1.875	-	BCI/JP Morgan Securities
Bayerische Hypo(h)	100bn	6.75	100.235	Feb 2002	1.875	-	IMI Bank Luxembourg
GUILDERS							
Federative Rep of Brazil(f)	400	6.625	100.05R	May 2002	0.60R	+173(i)	ING Barings
Kredietbank Intl Finance	110	(j)	99.233R	Jun 2003	0.30R	+17(6½Apr03)	Kredietbank Intl Group
AUSTRALIAN DOLLARS							
Toronto-Dominion Bank	100	7.75	101.415	May 2002	1.875	-	Toronto Dominion Bank
PESETAS							
Helaba Finance	10bn	(k)	100.00	May 2007	0.20	-	Banco Bilbao Vizcaya
DANISH KRONER							
Crédit Local de France	400	6.00	101.90	Jun 2003	1.875	-	BIL
AUSTRIAN SCHILLINGS							
Federative Rep of Brazil(f)	2bn	6.625	99.90R	May 2002	0.60R	+173(i)	Creditanstalt-Bankverein

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: Fixed re-offer price; fees shown at re-offer level. a) Automobile lease securitisation trust. 4 tranches, priced later. b) Callable on 1/5/07 & every 5 yrs at par; if not called coupon resets at CMT +200bp. c) Callable from May 02 at par. c1) 3-mth Libor +30bp to May 02, then +105bp. d) Class B1: £13.8m, par, 11.27% sa, Jun 2022. e) 3-mth Pibor -12½bp. f) Euro redenomination clause. g) Fungible with SFr150m. Plus 90 days accrued. h) Fungible with L300bn. Plus 113 days accrued. i) Over interpolated yield. j) 4% to 4/6/00, then 6½%. k) 6-mth Libor +30bp; min 4%, max 8.4%. s) Short 1st coupon

Vietnam investment fund to be liquidated

By John Murray Brown in Dublin and Jeremy Grant in Hanoi

Tha hoard of Lazard Vietnam Fund yesterday passed a resolotion to liquidate the fund, appointing Mr Christopher Legge of Ernst & Young, the accountant, as liquidator.

The fund, capitalised at $57m, was set up in 1994 as an investment vehicle for venture capital projects. Its assets, up to 80 per cent of which are held in cash, will now be under the liquidator's control.

Fund officials io Dublin said the fact that snch a large proportion of the fund was in casb underlined the prohlems it bad faced in finding good investments.

The fund made only two investments. It invested $6.6m in an Indian sugar joint venture, called Nagarjuna, and extended a $2m coovertible loan to REE Refrigeration, a private Vietnamese manufacturer of air conditioning equipment.

Lazard's Fund Administration Services in the Chaooel Islands said a cash distribntion to fundholders would be made within four weeks. The liqnidators would then move to realise the equity investments.

Dnblin bas attracted about 600 funds to list on tbe Irish Stock Exchange, many of them lured to change their domicile from Luxembourg, the world's largest centre for funds.

Most Vietnam funds were set up in the early 1990s, when analysts believed the communist-run country was only a couple of years away from launching a stock market. However, this is not likely for another three years.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	91.9458	-0.630	7.97	7.87	7.89
Austria		5.750	04/07	98.7000	-0.040	5.93	5.92	5.80
Belgium		6.250	03/07	101.4400	-0.040	6.05	6.02	5.96
Canada *		7.000	12/06	100.9500	-0.420	6.86	6.88	6.58
Denmark		8.000	03/06	109.2000	-0.200	6.59	6.60	6.59
France	BTAN	4.750	03/02	102.5744	-0.010	4.85	4.90	4.78
	OAT	5.500	04/07	97.5600	-0.110	5.83	5.82	5.72
Germany Bund		6.000	01/07	100.4300	-0.090	5.94	5.89	5.67
Ireland		8.000	08/06	107.9100	-0.100	5.82	6.77	6.71
Italy		6.750	02/07	94.5200	-0.240	7.55†	7.52	7.72
Japan	No 143	6.500	03/02	117.8582	+0.107	1.57	1.42	1.24
	No 182	3.000	09/05	104.9635	-0.220	2.30	2.15	2.21
Netherlands		5.750	02/07	99.5600	-0.060	5.81	5.77	5.61
Portugal		9.500	02/06	117.5500	+0.250	8.76	6.81	6.95
Spain		7.350	03/07	103.2700	+0.650	6.87	6.95	7.19
Sweden		8.000	08/07	104.3783	-0.150	7.37	7.25	7.26
UK Gilts		7.000	06/02	98-19	-	7.33	7.27	8.97
		7.250	12/07	97-08	+9/32	7.63	7.57	7.44
		9.000	10/08	109-20	+9/32	7.72	7.66	7.54
US Treasury *		6.250	02/07	95-03	-2/32	6.95	6.84	6.74
		6.625	02/27	93-19	-4/32	7.15	7.07	6.98
ECU (French Govt)		7.000	04/06	105.1900	-0.100	6.23	6.25	6.23

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.54
Prime rate	8½	Two month	-	Three year	6.68
Broker loan rate	7¼	Three month	5.34	Five year	6.85
Fed funds	5$\frac{5}{16}$	Six month	5.66	10-year	6.98
Fed funds at intervention	-	One year	6.09	30-year	7.15

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	128.60	128.32	+0.04	128.62	128.22	7,505	158,584
Sep	127.00	126.78	+0.04	127.06	126.76	333	6,054
Dec	96.60	96.32	+0.04	96.60	96.60	2	-

LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls May	Calls Jun	Calls Sep	Puts May	Puts Jun	Puts Sep
127	1.68	0.96	1.41	0.36	1.20	1.63
128	0.98	0.55	0.94	0.66	1.76	2.15
129	0.47	0.27	0.60	1.14	-	2.80
130	0.17	0.11	0.36	1.85	-	-
131	0.05	0.04	0.21	2.72	-	-

Est. vol. total, Calls 13,334 Puts 12,002. Previous day's open int., Calls 101,801 Puts 130,030

Germany

NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	100.53	100.41	-0.03	100.54	100.29	92075	271610
Sep	99.47	99.36	-0.03	99.47	99.26	1390	21895

BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
10000	0.82	0.58	0.78	0.94	0.41	1.22	1.42	1.58
10050	0.53	0.41	0.59	0.74	0.62	1.55	1.73	1.88
10100	0.31	0.27	0.43	0.57	0.90	1.91	2.07	2.21

Est. vol. total, Calls 4680 Puts 15854. Previous day's open int., Calls 177805 Puts 203967

Italy

NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	126.21	126.70	+0.75	126.83	126.03	55000	108795
Sep	126.65	126.97	+0.82	127.08	126.70	524	4977

ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Jun	Calls Sep	Puts Jun	Puts Sep
12650	1.16	2.54	0.98	2.07
12700	0.91	2.29	1.21	2.32
12750	0.68	2.05	1.48	2.58

Est. vol. total, Calls 4080 Puts 4532. Previous day's open int., Calls 111515 Puts 132609

Spain

NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	112.78	113.19	+0.58	113.21	112.73	76,875	68,422
Sep	112.25	112.33	+0.25	112.25	112.06	75	77

UK

NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	108-24	109-02	+0-10	109-07	108-23	38230	167122
Sep		108-26	+0-10			0	2533

LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Jun	Calls Jul	Calls Aug	Calls Sep	Puts Jun	Puts Jul	Puts Aug	Puts Sep
109	0-60	1-15	1-34	1-52	0-56	1-24	1-42	1-60
110	0-32	0-51	1-06	1-23	1-28	1-59	2-14	2-31
111	0-15	0-30	0-49	0-63	2-12	2-38	2-57	3-07

Est. vol. total, Calls 4175 Puts 838. Previous day's open int., Calls 58834 Puts 24736

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	93.70	93.78	+0.08	93.94	93.64	217	6,548
Sep	-	93.40	+0.08	-	-	-	-

US

US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	107-04	107-00	-0-04	107-07	106-30	232,930	456,588
Sep	106-24	106-16	-	106-24	106-17	668	42,848
Dec	106-06	105-16	-	106-06	106-06	2	8,699

Japan

NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Jun	125.35			125.48	125.35	1356	na
Sep	124.21			124.21	124.15	176	na

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FTSE Actuaries Govt. Securities — UK Indices

Price Indices UK Gilts	Mon Apr 28	Day's change %	Fri Apr 25	Accrued interest	xd adj. ytd		Low coupon yield Apr 28	Apr 25	Yr. ago	Medium coupon yield Apr 28	Apr 25	Yr. ago	High coupon yield Apr 28	Apr 25	Yr. ago
1 Up to 5 years (19)	119.50	0.06	119.43	2.08	4.14	5 yrs	7.36	7.40	7.51	7.43	7.44	7.55	7.47	7.48	7.66
2 5-15 years (20)	148.87	0.15	148.60	3.20	3.12	15 yrs	7.74	7.79	8.16	7.77	7.80	8.20	7.66	7.67	8.29
3 Over 15 years (7)	169.13	0.37	168.51	5.28	3.16	20 yrs	7.80	7.86	8.24	7.80	7.83	8.26	7.66	7.67	8.32
4 Irredeemables (5)	194.94	0.77	193.44	4.58	2.37	Irred.†	7.85	7.91	8.29						
5 All stocks (51)	143.25	0.16	142.99	3.17	3.60										

Index-linked							Inflation 5% Apr 28	Apr 25	Yr. ago	Inflation 10% Apr 28	Apr 25	Yr. ago
6 Up to 5 years (2)	203.67	0.08	203.50	0.53	3.03	Up to 5 yrs	3.38	3.33	2.75	2.74	2.58	1.32
7 Over 5 years (10)	195.13	0.19	194.76	1.37	2.32	Over 5 yrs	3.64	3.66	3.72	3.43	3.45	3.51
8 All stocks (12)	194.97	0.16	194.63	1.27	2.37							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT Fixed Interest Indices

	Apr 28	Apr 25	Apr 24	Apr 23	Apr 22	Yr ago	High*	Low*
Govt. Secs. (UK)	93.63	93.46	93.69	93.87	93.90	92.76	96.62	93.31
Fixed Interest	116.61	116.39	116.82	116.83	116.78	112.32	120.16	115.32

Gilt Edged Activity Indices

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21
Gilt Edged bargains	NA	NA	NA	NA	NA
5-day average	NA	NA	NA	NA	NA

 * for 1997. Government Securities high since compilation: 127.40 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974. Gilt Edged volume data will be unavailable until the end of May.

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on April 28

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 00	1000	96⅞	96⅞		7.28
ABN Amro Bank 7¼ 05	1000	98½	98¾		7.64
African Dev Bk 7⅜ 23	500	95¼	95⅝		7.76
Alberta Province 7⅝ 98	1000	101⅜	101⅜		6.69
Argentina 11⅜ 17	2000	104⅛	104⅝	+½	11.15
Asian Dev Bank 6¼ 00	750	94⅜	94½		7.27
Austria 8½ 00	400	103¾	104		6.93
Baden-Wuert L-Fin 8⅛ 00	1000	102¾	100		6.67
Bancomext 7¼ 04	1000	91¼	92¼	-⅛	8.09
Bank Ned Gemeenten 7 98	1000	100⅜	100½		6.80
Bayer Vereinsbk 8⅛ 00	500	102¾	100		6.97
Belgium 5½ 03	1000	91⅞	92		7.09
British Columbia 7¼ 02	500	102⅜	102½		7.17
British Gas 0 21	1500	14⅝	14⅞	-⅛	8.16
Canada 6⅞ 00	1500	95¼	95½		7.27
[illegible]					
Spain 7¼ 03	4000	109¾	109⅞		5.27
Volkswagen Intl Fin 7 00	1000	107¼	107½	-⅛	5.55
World Bank 5⅞ 03	3000	103¼	103⅜		5.27
World Bank 6⅛ 02	3000	105	105		5.04
World Bank 7⅛ 05	2000	108¾	108¾		5.72
SWISS FRANC STRAIGHTS					
Asian Dev Bank 0 16	500	42	42½		4.73
Austria 4½ 00	1000	105⅝	106⅛		2.39
Denmark 4¼ 99	1000	104⅝	104⅞	-⅛	2.26
EIB 3¾ 99	1000	103⅛	103¼		1.91
EIB 6¾ 04	300	115½	115¾	+⅛	4.27
Finland 7¼ 99	300	111⅜	111⅜		2.44
Helaba Finance 3¾ 00	1000	104½	104¾		2.45
Iceland 7⅝ 00	100	115			2.74
Inter Amer Dev 4¼ 03	600	108	109		3.32
[illegible]					
Abbey Natl Treasury 6 03 £	1000	100⅛	100½	+⅛	7.91
British Land 8⅞ 23 £	150	99⅜	99⅝	+½	9.14
Denmark 6¾ 98 £	800	99⅝	99¾		7.02
Depfa Finance 7⅛ 03 £	500	95⅞	95⅞	+⅛	7.97
EIB 6 03 £	1000	101½	101⅝	+⅛	7.68
Finland 7 00 £	500	98⅞	99⅛	+⅛	7.36
Glaxo Wellcome 8¾ 00 £	500	103½	103⅝	+¼	8.15
HSBC Holdings 11.69 02 £	153	114⅝	114⅞	+⅛	8.14
Italy 10½ 14 £	400	119⅜	119¾	+⅛	8.33
Japan Dev Bk 7 00 £	200	98⅝	99		7.44
Land Secs 9½ 07 £	200	107½	107⅞	+⅛	8.36
Ontario 11¾ 01 £	100	110½	110¾		7.80
Powergen 8⅞ 03 £	250	103⅛	103⅜		8.16
Severn Trent 11½ 99 £	150	107⅝	107⅞		7.56
Tokyo Elec Power 11 01 £	150	110⅞	111⅛	+⅛	7.79
TCNZ Fin 9¼ 02 NZ$	75	103⅞	104⅛	+¼	8.41
[illegible]					

DEUTSCHE MARK STRAIGHTS — [illegible]

OTHER STRAIGHTS — [illegible]

FLOATING RATE NOTES — [illegible]

CONVERTIBLE BONDS — [illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: [illegible]. CONVERTIBLE BONDS: [illegible].

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts" (Lives up to Five Years)							
Treas Cnv 7pc 1997‡‡		6.98	6.19	100$\frac{1}{32}$		101$\frac{9}{32}$	100$\frac{1}{32}$
Treas 8¾pc 1997‡‡		8.60	6.22	100$\frac{1}{32}$		101$\frac{1}{32}$	100$\frac{1}{32}$
Exch 15pc 1997		14.35	6.31	104$\frac{1}{32}$		114$\frac{1}{32}$	102$\frac{1}{32}$
Exch 9¾pc 1998		9.54	6.50	102$\frac{1}{32}$		106$\frac{1}{32}$	100$\frac{1}{32}$
Treas 7¼pc 1998‡‡		7.21	6.63	100$\frac{1}{32}$		109$\frac{1}{32}$	100$\frac{1}{32}$
[illegible]							
Treas 7¼pc 2006‡‡		7.71	7.66	100$\frac{1}{32}$			
Treas 8pc 2002-6‡‡		7.91	7.63	101$\frac{1}{32}$			
Treas 11¾pc 2003-7		9.85	7.52	119$\frac{1}{32}$			
Treas 8½pc 2007‡‡		8.04	7.67	105$\frac{1}{32}$			
Treas 7¼pc 2007‡‡		7.46	7.63	97$\frac{1}{32}$			
[illegible]							

Other Fixed Interest — [illegible]

[illegible]

THE TRANSFER MARKET • by Jimmy Burns

Goalposts are moved by Europe's Bosman ruling

Players' freedom is increased, but some clubs fear threat of new cash pressures

The announcement last July that Newcastle Uulted had ecquired England star striker Alan Shearer for £15m produced widespread celebration by fans and much talk abut the rise of players' power; but it also instilled e new note of alarm in the ongoing debate about the game's financial future.

The deal smashed the world football transfer fee record, confirming that English football was catching up with other branches of the entertainment industry and professional sports overseas, where the top players have long commanded superstar earnings.

By buying Shearer Newcastle was taking a big gamble, having to earn e return over the next five years on the total £22.5m investment – the transfer fee plus an estimated annual salary of £1.5m.

But apart from raising questions ebout the clnb's finances, the deal focused fresh attention on e transfer business that had been revolutionised as a result of the landmark "Bosman" ruling at the European Court of Justice.

Under the ruling, reached in December 1995, out-of-contract players worldwide have been given mnch greeter freedom to move from one country to another within the EU without a transfer fee. The court also abolished the rule whereby football clubs could only have two foreign nationals in their team.

The immediate impact of Bosman has been the influx of foreigners, bringing a fresh dynamism to the national game, and with it a shift in the cost of players, away from transfer fees and towards higher wages.

Those who believe that the football industry has dangerously underestimated the financial impact of the Bosman ruling include Mr Alan Sugar, the chairman of Tottenham Hotspur, who owns 40 per cent of the London club.

"Bosman could turn out to be the biggest single disaster for football in the last 20 to 30 years," he said. "We have seen an increase in players demanding higher salaries and people prepared to pay them. But the wrong mathemetical calculations are being made and the effects in the longer term are going to include the bankruptcy of some of the bigger clubs."

Last year Tottenham cut its squad value to £10.2m to comply with Bosman, hoping that by adopting prudent player valuations it would avoid any holes emerging in the balance sheet in the longer term.

So far few major UK clnbs have been prepared to follow Tottenham's lead, gambling on offsetting costs through success on the football field and increased merchandising and sponsorship deals.

Bnt Manchester United provides an example of how changes in the transfer system have been a mixed blessing in financial terms, with much of the money saved on transfer fees going in increased player wages. The club's renegotiation of nine contracts and signing of five new players has added almost £7m to the annual wage bill.

Another area of concern arising out of the Bosman ruling has been the negative effect it might have on youth development, the formation of future national equads, and the financial stability of clubs outside the Premiership.

In the immediate aftermath of the ruling, organisations such as the Football League, the Football Association, and the Professional Footballers' Association took comfort in the fact that it did not affect domestic transfers.

However, legal experts such as Mr Richard Alderson at Edge & Ellison warned that the ruling contained sufficient "legal encouragement" to those who wished to see it extended to the English domestic game.

Those encouraged by it included Vinnie Jones, the controversial Wimbledon pleyer who earlier this month threatened to sue his club and the Premier League for not allowing him to freely transfer after his contract expired at the end of the season.

The move by Jones was strongly criticised by Mr Gordon Taylor, chief executive of the PFA, as an act of "disloyalty" to other players whose future etands to be more negatively affected by the freeing up of domestic transfers.

Alan Sugar: 'mathematical calculations are wrong'

It is a view shared by Mr Chris Hull, spokesman for the Football League, who points out that the annual £25m generated for the lower division by transfer fees is a "very significant and vital lifeline for the smaller clubs", without which their existence is threatened.

Nevertheless, English football organisations have reluctantly accepted that the Bosman ruling is irreversible and that the game must accommodate in the best way it can.

As Mr Taylor puts it: "We are looking for ways in which we can refine our domestic system without dismantling the development of youth."

In practice, this has meant an ongoing dialogue with European football's governing body, UEFA, and the formation of e domestic working committee capable of reconciling the demands of the English League with the realities of the post-Bosman era.

As a result, within the next two years, English football is likely to see further changes to its transfer system. Under proposals already virtually agreed by the FA, the Football League and the PFA, a young player will be signed up on training contracts until the age of 21. If he leaves after that, compensation will be paid to the selling club. Freedom of transfer would extend to all players at and after the age of 24.

In practice, several of the bigger English clubs, such as Manchester United, have already anticipated an extention of the Bosman ruling, safeguarding their financial interests by placing their players on longer-term contracts.

Just how many major clubs will be prepared and able to continue to pay huge fees in order to secure star players remains an open question. However, on the assumption of a continuing rise in TV, sponsorship and merchandising revenue, it is unlikely that the Shearer contract will be the last of its kind. As long as football remains an increasingly popular sport, and TV revenues keep coming in, the transfer market should go higher in the seasons ahead.

As sports lawyer Mr Richard Alderson puts it: "If you're a club and you want a superstar, you're going to borrow, beg or steal to get him, as long as you're convinced he's going to be your salvation."

PROFILE Irving Scholar

Roots now put down in Forest

Mr Irving Scholar, one of the new owners of Nottingham Forest Football Club, is that unhappy mixture: a revolutionary who is also a sensitive man.

The Tottenham Hotspur fan was an era ahead of the rest of football when he led a takeover of his beloved London club in 1982. In those days, football clubs were sleepy businesses, mostly owned by wealthy patricians.

Mr Scholar, a multi-millionaire property developer, was tougher: during the takeover battle for Spurs he wrote to all female shareholders asking them to sell, betting that they would have little interest in stakes generally inherited from their fathers.

He floated Tottenham on the stock market, where no UK football club had gone before, and then tried to use the Spurs brand name to sell clothing and other goods.

Today, almost every big British club is following his lead – with modifications…for Mr Scholar's early revolution ended in disaster.

Like many companies of the era, his Spurs was seen to have diversified too far. It became such an extended leisure group that et one point it even applied for a kosher licence to cater at Jewish functions.

The leisure businesses plunged Tottenham into debt at the end of the 1980s. Mr Scholar then made a secret deal to sell a stake in the club to Mr Robert Maxwell, the media tycoon. He was censured and resigned as a director, but initially clung on as the football club chairman.

After one too many fan chant of "Scholar out!" he quit that post in 1991. He has spent most of the time since in his Monaco tax haven, but he still appears to remember many of the press attacks on him by heart.

So why has he returned to English football, to a club where the fans distrust him as a Tottenham supporter and the press dredges up his past?

Irving Scholar: Many English clubs are now following his lead

One reason is that he is a livewire. Mr Scholar cannot stop talking, and is constantly coming up with ideas. He feels that since he started today's revolution in football finance, he should be in England now to spread his expertise. Also, he thinks he can make money out of Forest.

A bizarre takeover battle for the club, with bidding groups constantly dropping out or re-forming, ended with Mr Scholar's consortium as the only bidder left standing.

Together with Mr Nigel Wray, property developer and owner of Saracens rugby club, and Mr Phil Soar, e Nottingham journalist, Mr Scholar paid £19m for Forest.

The genius of the offer is that the money goes straight into the club. Most of the shareholders received no cash but will take shares when Forest floats on the stock market. Mr Scholar feels that he has bought a club and made an investment with the same sum of money.

Yet once again he is seeing his grand plan unravel. Forest, in danger of relegation from the Premiership when he bought the club in February, is now in last place and appears certain to go down. That would hit television income and could reduce total revenues by about £5m a year. Mr Scholar believes his investment will pay off even if Forest is relegated. Clearly, however, he would welcome a last-ditch miracle.

A man of ideas, e success outside football, yet apparently doomed to opprobrium, Mr Scholar must be granted one thing even by his enemies. He loves the game. He took no salary for his work at Spurs, and many of the club's fans today find themselves pining after him.

Mr Scholar signed Paul Gascoigne, Gary Lineker and Chris Waddle, while his successor, Mr Alan Sugar, no natural fan, appears keener on turning e profit than challenging for trophies.

Perhaps Mr Scholar loves football and great footballers too much to make money out of the game. Famously, he made loans to Spurs players which he never expected to be repaid. And Mr Alex Fynn recounts in *Dream On**, his book ebout Spurs, e telling meeting 12 years ago between Mr Scholar and Mr Osvaldo Ardiles.

Mr Ardiles, the club's great Argentine midfielder of the era, had come to ask Mr Scholar for a one-year contract worth £75,000. The chairman did not respond. Mr Ardiles immediately climbed down to £70,000. Mr Scholar told him to get out.

"You think about it, yes?", asked Mr Ardiles hopefully.

"No I won't!" shouted Mr Scholar. "You can have £80,000 and e two-year contract. Now get out!"

* *Dream On. Alex Fynn and H. Davidson. Simon and Schuster, London, £14.99*

Simon Kuper

COMMODITIES AND AGRICULTURE

Chilean copper mine workers threaten strike

By Imogen Mark in Santiago

Workers at Quebrada Blanca, a copper mine in northern Chile, are to go on strike from Wednesday morning unless they receive a substantially improved pay offer. If it goes ahead, the stoppage is expected to affect most production at the mine, which produces 6,000 tonnes a month of high-grade copper cathodes.

For the union, which represents virtually all the mine's 363 workers, Mr Nelson Fuentes said: "We and the management are a long way apart. We are asking for an 18 per cent real rise on our wage, and the company is offering an average of between 0.6 and 1 per cent. Obviously, our position is not absolutely rigid, but the company has to come up with something better."

According to Mr Fuentes, working conditions at Quebrada Blanca are an important factor behind the wage demand.

The mine is situated 4,400m above sea level in the Atacama desert, the driest in the world. The combination of altitude and lack of humidity affects the health of workers, giving most of them permanent headaches and frequent nose bleeds, Mr Fuentes said. The altitude reduces appetite, and also makes it hard to sleep properly, so workers feel constantly tired.

As a result, there is a high turnover of workers who leave for health reasons, the union says, but there is no system of compensation.

A further grievance is the conditions in which they take their lunch-break – sandwiches eaten on the job in a dusty or acid-filled atmosphere. Sulphuric acid is sprayed on ground-up copper-bearing rock to leach out the mineral and produce the cathodes.

Quebrada management said yesterday that it would not comment on the strike decision until it had been informed officially by the union.

Meanwhile, the 358 workers on strike at Escondida, the world's biggest copper mine, are now into the 11th day of their stoppage.

The mine's management claims that output, at 800,000 tonnes a year, has been reduced by about 15 per cent.

The union leadership was in Santiago yesterday seeking an interview with President Eduardo Frei to ask him to intervene in the dispute. They are seeking a 5 per cent real increase.

Further rise in zinc use forecast

By Kenneth Gooding, Mining Correspondent

Zinc consumption, already at record levels, is to rise strongly again this year and be will in excess of available supply, according to the International Lead & Zinc Study Group.

The group, which counts 30 countries among its members, forecasts world zinc consumption will rise 3.5 per cent from its 1996 level to 7.72m tonnes, helped by a 4.1 per cent increase in demand from western markets, to 6.45m tonnes.

Global refined zinc output this year is forecast at 7.6m tonnes, up 3.6 per cent, with the western world total likely to rise 2.8 per cent to 5.66m tonnes.

The study group suggests that imports of zinc by the west from eastern countries will be higher than in 1996 but "western world demand is forecast to continue well in excess of available supply, with a further draw-down in reported stocks".

China will reinforce its position as the world's biggest zinc producer with an increase of 71,000 tonnes in output to 1.15m tonnes, the study group says.

Zinc's main uses are in coatings to protect iron and steel from corrosion, alloys for casting and as an element in brasses. Other uses include zinc sheet for roofing and cladding buildings and zinc oxide for tyres.

Zinc prices averaged $1,036 a tonne last year, well below the peak of $2,138 reached in 1989.

Analysts Ms Amy Gassman and Mr Alexander Robinson are forecasting in Goldman Sachs's latest Base Metals Outlook that zinc will average $1,145 a tonne this year and $1,235 in 1998.

Flemings Global Mining Group is even more bullish, looking for $1,322 a tonne this year and $1,653 in 1998.

Cash copper premium hit

MARKETS REPORT

By Kenneth Gooding and Robert Corzine

The premium for copper for immediate delivery on the London Metal Exchange dropped dramatically yesterday as a wave of lending deluged the market. Lending is when metal is delivered to the market on the understanding that it will be returned to the seller at an agreed future date.

Mr Robin Bhar, analyst at Brandeis (Brokers), a Pechiney subsidiary, said the collapse of the premium had wrong-footed traders. "This was the opposite of what was expected."

The premium for cash copper compared with metal for delivery in three months, which soared to $200 a tonne on Friday, narrowed to $87 at one stage before ending the day at $100. But analysts suggested the vicious technical squeeze that has gripped the copper market for months was not over.

"There is more upside left in copper," said Mr Jim Lennon, at Macquarie Equities. "Fundamental news continues to be bullish, with labour talks at the 160,000 tonnes a year Chino copper mine in the US ending without a deal and workers at the 70,000 tonnes a year Quebrada Blanca mine in Chile announcing they will strike.

"With stocks extremely low, any supply disruption has the potential to have a dramatic impact on prices. The balance of risk for copper prices remains very much on the upside."

Although copper was the main focus of attention on the LME, aluminium prices continued their recent recovery. Metal for delivery in three months ended the day up $29 a tonne, or nearly 2 per cent, at $1,628.

Precious metals prices fell, led by gold which closed in London down $2.40 a troy ounce from Friday's close. Some traders said gold's fall was options-related, and Mr Grant Sinitis, analyst at MC-BBL, the investment bank, said Russia had been selling at any price in the spot market for the past two weeks.

In London silver closed 7 cents down at $4.66 an ounce, platinum lost $6 an ounce to close at $373.50 and palladium dropped $2.55 an ounce to $157.25.

Oil prices were generally steady, with little news to give the markets direction. Brent Blend for June delivery was quoted at about $18.29 a barrel in late London trading, two cents up on Friday's close.

Continuing unrest in Nigeria's oil-producing Rivers state, which had influenced prices last week, appeared to have little impact yesterday.

Producers close in on Alberta's oil

Modern technology has made viable the extraction of bitumen from sand

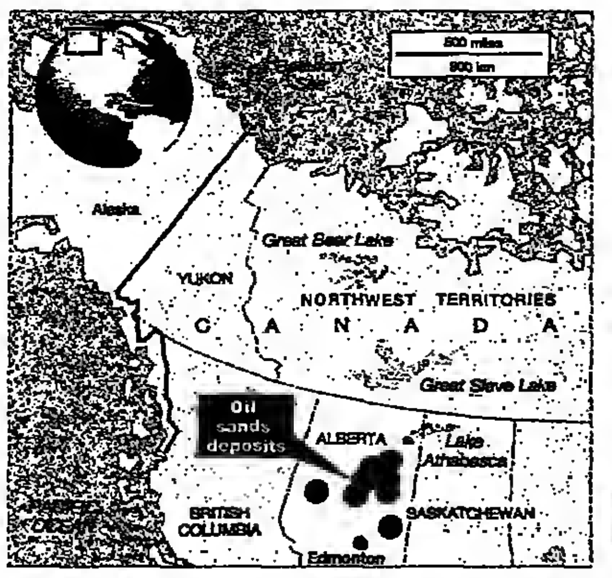
Petroleum producers are moving to exploit the potential of western Canada's heavy oil deposits, considered the last frontier of the country's energy industry. New technology and streamlined fiscal arrangements are drawing producers to the oil sands in northern Alberta, long considered too costly to develop.

Mobil Oil Canada, a subsidiary of the US producer, is the latest company to announce plans to invest C$1bn (US$716m) to build a plant to extract oil from the region's bitumen-rich sand. Last month Shell Canada, a subsidiary of Royal Dutch/Shell, proposed to invest an equal amount to build facilities in the area.

Mobil expects by 2003 to begin producing 100,000 b/d of bitumen, a heavy syrup that must be refined to produce synthetic crude oil. Shell plans to produce 120,000 b/d starting in 2002.

Both companies have said they will pipe their output south for refining at separate facilities. The investment proposals, which must pass feasibility studies and regulatory approval, reflect a growing commitment by the nation's producers to the heavy oil deposits in Alberta's Athabasca region.

Imperial Oil, Canada's largest oil producer and Exxon's Canadian subsidiary, is awaiting regulatory approval for a C$440m expansion of its heavy oil extraction operations in the province.



Extracting oil using the old method was hard and expensive

Suncor and Syncrude, a consortium of 10 companies, last year announced plans to increase their oil sands production. Suncor intends to invest C$1bn in northern Alberta during the next three years, while Syncrude expects to spend C$2bn over five years.

Syncrude and Suncor have operated in the Athabasca region for 20 years, but the latest round of planned investment, totalling C$7.6bn over the next decade by large and small Canadian groups, will boost Alberta's importance as an oil supplier. New technology, simplified fiscal arrangements, an increasing US appetite for heavy crude and a proliferation of pipelines to the US market have fuelled the growing interest in the region.

More important, Canadian government data indicate that the nation's proven reserves of conventional crude fell from 7.83bn barrels in 1976 to 5.01bn barrels in 1995.

At present production levels, Canada will deplete its proven conventional reserves in less than 10 years, says Mr Ian Doig, who publishes a Calgary-based energy newsletter.

"Conventional oil is declining. It's getting more difficult to find, particularly in large quantities," says Mr Neil Camarta, Shell's vice-president in charge of oil sands.

The Athabasca oil sands are believed to contain enough bitumen to produce more than 200bn barrels of heavy oil, of which about 25bn barrels can be extracted with mining techniques. The rest could be extracted with injection technology.

The drive to exploit the oil sands is not without potential difficulties. A significant drop in oil prices could quickly stall the projects. Ownership of the proposed 300-mile pipeline has yet to be worked out. And environmentalists could oppose development in the Athabasca region on the grounds that heavy oil production generates greenhouse gases such as carbon dioxide.

The region, however, has too much potential to ignore. Oil sands production currently amounts to 22 per cent of Canadian petroleum production, but the region could eventually supply more than 50 per cent of the nation's output and become an important supply basin for the US market.

Scott Morrison

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1602-03	1627-28
Previous	1569.5-70.5	1598-9
High/low		1642/1625
AM Official	1606-06.5	1631.5-32.0
Kerb close		1628.5-29.0
Open int.	276,037	
Total daily turnover	99,567	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1475-80	1505-07
Previous	1450-60	1480-85
High/low		1525/1505
AM Official	1475-77	1505-07
Kerb close		1505-10
Open int.	5,662	
Total daily turnover	1,106	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	619-20	629-30
Previous	619-20	630-1
High/low		640/628
AM Official	626-26.5	636-36.5
Kerb close		627-28
Open int.	35,726	
Total daily turnover	6,943	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	7335-45	7455-60
Previous	7325-35	7435-45
High/low		7540/7420
AM Official	7320-30	7450-60
Kerb close		7440-50
Open int.	50,390	
Total daily turnover	15,872	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5685-95	5730-40
Previous	5600-700	5740-45
High/low		5770/5715
AM Official	5685-86	5725-30
Kerb close		5715-20
Open int.	16,637	
Total daily turnover	3,149	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1244-45	1266-66.5
Previous	1247.5-9.5	1269-71
High/low		1279/1265
AM Official	1247-48	1270-70.5
Kerb close		1267-68
Open int.	87,721	
Total daily turnover	20,844	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2465-67	2365-66
Previous	2561-3.5	2372-3
High/low		2407/2352
AM Official	2520-25	2390-92
Kerb close		2356-57
Open int.	135,093	
Total daily turnover	67,780	

■ LME AM Official £/$ rate: 1.6240
LME Closing £/$ rate: 1.6237

Spot: 1.6235 3 mths: 1.6211 6 mths: 1.6191 9 mths: 1.6169

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	111.50	-3.20	115.70	110.90	500	528
May	111.80	-1.10	113.80	110.70	6,033	10,504
Jun	110.70	-0.90	111.60	109.90	327	2,338
Jul	110.20	-0.75	111.55	109.10	5,738	18,162
Aug	108.60	-0.45	-	-	69	1,031
Sep	107.20	-0.40	107.70	106.10	681	4,974
Total					14,213	48,800

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	339.90-340.40		
Opening	341.50-341.90		
Morning fix	341.25	210.233	503.003
Afternoon fix	340.20	209.483	500.366
Day's High	341.70-342.00		
Day's Low	339.00-339.40		
Previous close	342.20-342.70		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month ....4.67 6 months 4.65
2 months ....4.65 12 months 4.62
3 months 4.65

Silver Fix	p/troy oz.	US cts equiv.
Spot	290.90	472.40
3 months	295.10	478.55
6 months	299.40	484.85
1 year	308.40	498.25

Gold Coins	$ price	£ equiv.
Krugerrand	341-343	210-211
Maple Leaf	-	-
New Sovereign	80-83	49-51

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open Int
Apr	339.9	-2.5	341.8	340.2	316	273
May	340.2	-2.5	-	-	-	-
Jun	341.4	-2.5	343.7	340.5	12,328	74,716
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

[illegible]

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

[illegible]

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

[illegible]

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

[illegible]

■ CRUDE OIL IPE ($/barrel)

[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

[illegible]

■ GAS OIL IPE ($/tonne)

[illegible]

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

[illegible]

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	93.35	-0.40	93.50	92.85	152	665
Jul	96.50	-0.50	97.25	95.85	308	1,939
Sep	93.25	-0.75	94.50	94.50	10	51
Nov	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LIFFE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LIFFE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

[illegible]

FUTURES DATA

All futures data supplied by CMS.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open Int
May	1022	-11	1030	1018	878	8,985
Jul	1044	-10	1052	1038	1,456	23,796
Sep	1067	-8	1064	1051	797	13,348
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

Apr 28	Price	Prev. day
Daily	[illegible]	1158.74

■ COFFEE LIFFE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

Apr 25		Prev. day
Comp. daily	[illegible]	150.50
15 day average	[illegible]	140.84

■ WHITE SUGAR LIFFE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

Tea

There was a strong and active demand for tea, The Tea Brokers' Association reports. Landed bright and coloury East African teas met keen competition and prices rose 5p-10p. Plainer Central Africans were about firm.

Offshore - Brighter liquoring Zimbabwean teas were strong and dearer but others were irregularly easier.

Averages - Landed all tea 145.69p.

Quotations for this sale: Landed best available 166p-169p; good 160p-166p; good medium 150p-155p; medium 135p-148p; low medium 98p-125p. The highest price realised this week was 169p for a Kenya Pf.1

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Apr 28	Apr 25	month ago	year ago
1978.3	1984.6	na	[illegible]

■ CRB Futures (Base: 1967 = 100)

Apr 25	Apr 24	month ago	year ago
243.27	247.44		

■ GSCI Spot (Base: 1970 = 100)

Apr 28	Apr 24	month ago	year ago
194.34	194.13	193.22	215.78

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jun	63.750	-0.075	64.000	63.600	8,778	38,683
Aug	64.075	-	64.125	63.825	2,034	24,589
Oct	68.350	-0.050	68.400	68.225	1,258	15,623
Dec	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Total					[illegible]	[illegible]

■ LEAN HOGS CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
Jun	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dec	72.725	-0.175	72.900	72.500	342	3,127
Feb	71.500	+0.100	71.600	71.200	193	1,014
Total					8,354	38,363

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett Price	Day's change	High	Low	Vol	Open Int
May	90.800	-1.400	92.300	90.300	1,255	2,588
Jul	90.725	-1.125	92.500	90.250	2,338	4,107
Aug	88.825	-0.650	90.150	88.100	398	1,043
Feb	78.600	-0.425	77.250	78.600	54	257
Mar	78.500	+0.450	-	78.050	2	8
Total					4,046	8,008

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1575	45	82	4	28
1600	27	77	11	37
1625	14	63	23	48
■ COPPER (Grade A) LME	May	Aug	May	Aug
2350	3	73	7	97
2400	8	53	19	127
2450	24	38	44	160
■ COFFEE LIFFE	Jul	Sep	Jul	Sep
1550	116	179	68	109
1600	93	154	93	134
1650	71	132	121	162
■ COCOA LIFFE	Jul	Sep	Jul	Sep
1000	71	93	27	
1025	57	78	38	
1050	44	65		
■ BRENT CRUDE IPE	Jun	Jul	Jun	Jul
1900	22	-	-	-
1950	10	30	-	-
2000	4	21	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$17.14-7.21	-0.125
Brent Blend (dated)	$17.92-7.94	-0.180
Brent Blend (Jun)	$18.25-8.27	-0.200
W.T.I.	$19.88-9.92z	-0.170

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$206-208	
Gas Oil	$170-172	
Heavy Fuel Oil	$77-79	-1
Naphtha	$174-178	+1
Jet fuel	$157-159	-1
Diesel	$179-181	+2

■ NATURAL GAS (Pence/therm)

Bacton (May)	10.6-10.7	+0.2

Petroleum Argus. Tel. London (0171) 359 8792

IPE (May)	10.825	+0.125

■ OTHER

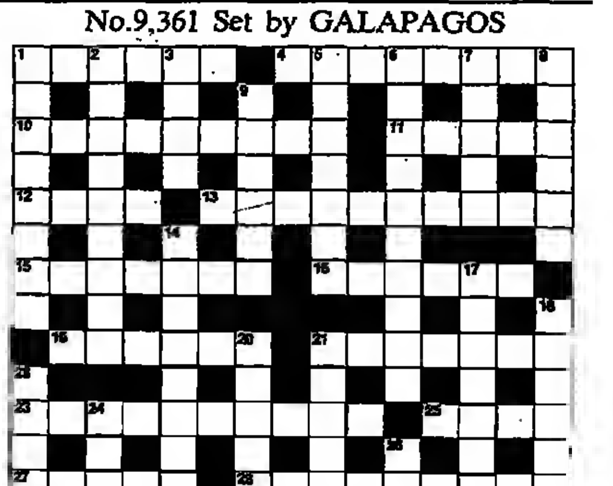
Gold (per troy oz)♣	$340.15	-2.30
Silver (per troy oz)♣	467.00c	-9.00
Platinum (per troy oz.)	$375.00	-4.25
Palladium (per troy oz.)	$157.75	-3.75
Copper	119.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	14.03r	
Tin (New York)	267.5	+1.00
Cattle (live weight)	91.88p	+0.37*
Sheep (live weight)	132.30p	+0.88*
Pigs (live weight)†	101.37p	+9.69*
Lon. day sugar (raw)	$282.10	+0.50
Lon. day sugar (wte)	$318.20	-0.30
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (May)♥	70.50p	
Rubber (Jun)♥	70.50p	
Rubber (KL RSS No1)	279.0x	-0.5
Coconut Oil (Phil)§	725.0y	+12.5
Palm Oil (Malay.)§	572.5z	+2.5
Copra (Phil)§	$450.0y	
Soyabeans (US)	228.0	+4.0
Cotton Outlook'A' index	78.70c	
Wooltops (64s Super)	420p	+13

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. w May y Apr/May♥ z Jun London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 3,223 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,361 Set by GALAPAGOS



ACROSS

1 Having cover of French money (6)
4 Calm, short piece after leave cut short (8)
10 Avian gets confused but finds way (9)
11 Stand first lager after relaxation (5)
12 Wrong to be cautious after switching openers (4)
13 Stagger about, Gardner comes in and makes things worse (10)
15 Life study takes every class of Latin or Germanic youth initially (7)
16 Irregular copper takes yacht out (6)
19 An odour rising (6)
21 Change article in token of regret (7)
23 Passed around old money, nobleman offered lower price (10)
25 New nitrogen gas (4)
27 Do take first load of hay! (5)
28 Prohibit direct tin refining (9)
29 Party in charge is not out (8)
30 Eaten away, despairing, without point or direction (6)

DOWN

1 Under-age characters' material (8)
2 Gaping at opening of café, hungry start to move down (9)
3 Close, hinge mostly broken (4)
5 Remove harness as leader in hot position slips two places.... (7)
6 .... Tiring, first drops to fifth in showing exaggerated respect (10)
7 Surprise result puts oriental off (5)
8 To join up broken stencil, first cut out (6)
9 Gay set's diversion is very theatrical (6)
14 In fraudulent preparation, not paid for (4-6)
17 Scorer, female, has hard time making comeback (9)
18 Turn under, tie together again (8)
20 Stretching point, sound junction erected outside (7)
21 Attractive minor takes in banker (6)
22 Cutter returned fish to river (6)
24 Disturbs leading players; one out, one in (5)
26 Distress soldiers in short measure (4)

Solution to Saturday's prize puzzle on Saturday May 10.
Solution to yesterday's prize puzzle on Monday May 12.

ld Italy Vietn... inves... fund... liquid...

CURRENCIES AND MONEY

G7 fails to stem dollar's tide

MARKETS REPORT

By Simon Kuper

The dollar edged higher yesterday as traders decided the Group of Seven's communiqué on Sunday was too weak to block the US currency's rise.

The dollar rose strongly after the Washington statement, although it later shed some gains. Mr Carl Weinberg, chief economist at High Frequency Economics in the US, said: "The market's short term reaction was to buy, buy, buy, and then people took their profits." Other currency strategists added that dealers had grown nervous that the G7 might later intervene in the market against the dollar.

The US currency closed in London at DM1.728 to the German currency and Y126.6 to the yen, half a pfennig and half a yen above Friday's closing levels.

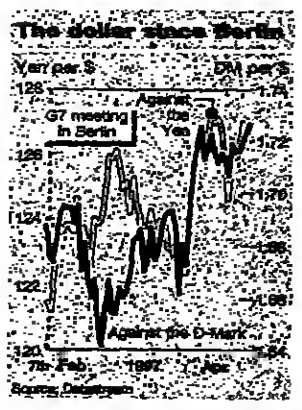
On exchange rates, the G7's statement said "excess volatility and significant deviations from fundamentals are undesirable". It "emphasised the importance of avoiding exchange rates that could lead to the reemergence of large external imbalances." But there was no threat of intervention, and the statement differed little from that issued after the last G7 meeting in Berlin in February. The dollar has risen since Berlin.

Late on Sunday and yesterday, Japanese and German officials made more aggressive comments. Mr Hans Tietmeyer, Bundesbank president, said the US was "interested in a strong dollar but not a stronger one".

Mr Hiroshi Mitsuzuka, Japan's finance minister, said yesterday that the markets should clearly understand what the G7 intended. "The effects of the statement will emerge sooner or later," he said. Traders read this as a threat that Japan may yet sell dollars in the market.

However, Mr Eddie George, governor of the Bank of England, when asked whether Japan had pushed for joint intervention against a further dollar rise, said: "There was no pressure for that sort of thing." Mr Robert Rubin, US treasury secretary, made no comments about currencies and instead again urged Japan to stimulate domestic demand. Mr Michael Burke, senior economist at Citibank in London, noted that UK, French and US officials appeared more willing than Mr Tietmeyer and Mr Mitsuzuka to live with a further dollar rise. Joint intervention was unlikely, he said.

The rising dollar helped the pound, the lira and the French franc gain against the D-Mark.



■ The market was braced for an aggressive statement on the dollar, and the G7's tameness came as a surprise. Mr Weinberg said: "The language of the communiqué was boring. There was nothing in it to scare people." Mr Burke concurred: "I think the dollar probably goes up further." The statement was "a green light for dollar purchases", he said.

So why did the dollar rise only modestly yesterday? Mr Avinash Persaud, currency strategist at J.P. Morgan, said that although the market now believes the G7 will not intervene at present exchange rate levels, there is still a fear that intervention could come if the dollar were to rise much higher. "If there is still some risk of intervention, why hold a long dollar position when the dollar isn't going to go much further up from here?", he asked, adding: "We will see the dollar creep higher, but it's going to be a gradual process."

Mr Paul Chertkow, head of global currency research at UBS in London, warned that the G7 might be setting a "bull trap" for the market. The group's aim, he explained, could be to make a tame statement to lure traders into buying dollars. Once most dealers were long on dollars, the G7 would then intervene against the currency. As all demand for dollar would have already been satiated by then, there would be no dollar buyers left and the intervention would succeed.

But some strategists said strong economic data expected from the US this week could boost the dollar.

■ The Canadian dollar barely softened after Mr Jean Chretien, Canada's prime minister, on Sunday called an early general election for June 2. The currency closed in London at C$1.399 to the dollar.

■ Pound in New York

Apr 28	—Latest—	— Prev. close —
£ spot	1.6240	1.6245
1 mth	1.6233	1.6238
3 mth	1.6215	1.6221
1 yr	1.6155	1.6155

■ OTHER CURRENCIES

Apr 28	£	$
Czech Rp	50.3568 - 50.4304	31.0270 - 31.0570
Hungary	295.224 - 295.450	181.900 - 181.950
Iran	4871.40 - 4888.00	3000.00 - 3000.00
Kuwait	0.4937 - 0.4941	0.3042 - 0.3043
Poland	5.1222 - 5.1296	3.1580 - 3.1590
Russia	9318.02 - 9322.24	5740.00 - 5741.00
U.A.E.	5.9572 - 5.9650	3.6705 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Apr 28		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	19.7344	+0.0459	261 - 426	19.8622	19.7261	19.8909	2.8	19.6344	2.0	-	-	103.4
Belgium	(BFr)	57.8742	+0.1713	437 - 047	58.3130	57.7530	57.7482	2.6	57.4892	2.7	56.1642	3.0	103.2
Denmark	(DKr)	10.6789	+0.0265	745 - 833	10.7469	10.6745	10.6569	2.5	10.6134	2.5	10.4034	2.6	105.8
Finland	(FM)	8.4301	+0.0213	239 - 363	8.4980	8.4239	-	-	-	-	-	-	82.5
France	(FFr)	9.4561	+0.0098	524 - 598	9.5082	9.4524	9.4339	2.8	9.3903	2.8	9.1732	3.0	108.0
Germany	(DM)	2.8040	+0.0066	029 - 051	2.8266	2.8029	2.7973	2.9	2.7838	2.9	2.7171	3.1	104.7
Greece	(Dr)	444.942	+0.05	686 - 197	448.356	444.686	-	-	-	-	-	-	66.6
Ireland	(I£)	1.0532	+0.0042	522 - 541	1.0545	1.0491	1.0529	0.3	1.052	0.5	1.0454	0.7	101.8
Italy	(L)	2789.73	-2.4	247 - 498	2806.82	2782.47	2787.13	-1.5	2791.98	-1.2	2794.78	-0.4	75.9
Luxembourg	(LFr)	57.8742	+0.1713	437 - 047	58.3130	57.7530	57.7482	2.8	57.4892	2.7	56.1642	3.0	103.2
Netherlands	(Fl)	3.1557	+0.0104	541 - 573	3.1789	3.1510	3.1476	3.1	3.1318	3.0	3.0569	3.1	102.8
Norway	(NKr)	11.4992	+0.0291	983 - 001	11.5994	11.4538	11.4687	2.0	11.4209	2.5	11.1947	2.6	99.7
Portugal	(Es)	281.149	+1.002	039 - 258	282.338	281.039	281.289	-0.6	281.574	-0.6	-	-	94.4
Spain	(Pta)	236.432	+0.571	309 - 555	238.110	236.309	236.565	-0.7	236.432	0.0	234.857	0.6	78.0
Sweden	(SKr)	12.6259	-0.0136	167 - 351	12.7301	12.6167	12.6069	1.8	12.5674	1.9	12.3714	2.0	89.9
Switzerland	(SFr)	2.3863	+0.0043	850 - 875	2.4020	2.3850	2.3775	4.5	2.3596	4.5	2.2754	4.6	104.1
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	99.9
Ecu	-	1.4382	+0.0016	374 - 390	1.4482	1.4374	1.436	1.8	1.4313	1.9	1.4062	2.2	-
SDR†	-	1.185948	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6232	+0.0007	227 - 236	1.6256	1.6211	-	-	-	-	-	-	-
Brazil	(R$)	1.7253	+0.0003	246 - 259	1.7279	1.7238	-	-	-	-	-	-	-
Canada	(C$)	2.2706	+0.0032	696 - 715	2.2738	2.2686	2.2647	3.1	2.254	2.9	2.2094	2.7	84.0
Mexico	(New Peso)	12.8573	+0.0567	460 - 686	12.8701	12.8138	-	-	-	-	-	-	-
USA	($)	1.6234	+0.0003	230 - 238	1.6263	1.6218	1.6227	0.5	1.6211	0.6	1.6147	0.5	106.2
Pacific/Middle East/Africa													
Australia	(A$)	2.0804	-0.01	792 - 815	2.0999	2.0757	2.0803	0.1	2.0795	0.2	2.0754	0.2	96.9
Hong Kong	(HK$)	12.5773	+0.0023	734 - 812	12.5969	12.5657	12.5726	0.4	12.5617	0.5	12.5215	0.4	-
India	(Rs)	58.0285	-0.0087	738 - 833	58.1400	57.9736	-	-	-	-	-	-	-
Israel	(Shk)	5.5299	+0.0047	234 - 363	5.5419	5.5234	-	-	-	-	-	-	-
Japan	(Y)	205.482	+0.841	356 - 608	206.520	205.210	204.512	5.7	202.652	5.5	194.042	5.6	120.4
Malaysia	(M$)	4.0752	+0.0017	734 - 770	4.0875	4.0734	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.3360	-0.0043	346 - 374	2.3484	2.3315	2.3389	-1.5	2.344	-1.4	2.3642	-1.2	118.9
Philippines	(Peso)	42.8042	+0.003	496 - 588	42.8586	42.7498	-	-	-	-	-	-	-
Saudi Arabia	(SR)	6.0886	+0.0011	869 - 902	6.0993	6.0827	-	-	-	-	-	-	-
Singapore	(S$)	2.3458	+0.0036	436 - 480	2.3503	2.3436	-	-	-	-	-	-	-
South Africa	(R)	7.2079	-0.0174	029 - 129	7.2245	7.2029	-	-	-	-	-	-	-
South Korea	(Won)	1448.89	+0.27	528 - 249	1452.49	1445.29	-	-	-	-	-	-	-
Taiwan	(T$)	44.9195	+0.0732	760 - 630	44.9630	44.8727	-	-	-	-	-	-	-
Thailand	(Bt)	42.3951	+0.0727	441 - 461	42.4710	42.3441	-	-	-	-	-	-	-

† Rates for Apr 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 28		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	12.1562	+0.026	541 - 583	12.2280	12.1541	12.1415	1.5	12.0962	2.0	11.9012	2.1	103.3
Belgium	(BFr)	35.6500	+0.099	400 - 600	35.8780	35.5620	35.59	2.0	35.4625	2.1	34.9225	2.0	103.2
Denmark	(DKr)	6.5781	+0.0151	770 - 792	6.6163	6.5770	6.5692	1.6	6.5508	1.7	6.4691	1.7	105.3
Finland	(FM)	5.1929	+0.0122	903 - 954	5.2296	5.1903	5.1841	2.0	5.1654	2.1	5.0829	2.1	82.1
France	(FFr)	5.8249	+0.0049	240 - 257	5.8590	5.8236	5.8142	2.2	5.7932	2.2	5.6949	2.4	105.5
Germany	(DM)	1.7273	+0.0038	270 - 275	1.7369	1.7265	1.7241	2.2	1.7176	2.3	1.6839	2.5	104.5
Greece	(Dr)	274.080	-0.02	990 - 170	275.910	273.930	275.635	-6.8	278.205	-6.0	289.23	-5.5	65.3
Ireland	(I£)	1.5415	-0.0059	405 - 425	1.5490	1.5390	1.5411	0.4	1.5405	0.3	1.5418	0.0	-
Italy	(L)	1714.75	-1.8	440 - 510	1725.89	1714.48	1717.75	-2.1	1722.6	-1.8	1732.4	-1.0	75.3
Luxembourg	(LFr)	35.6500	+0.099	400 - 600	35.8780	35.5620	35.59	2.0	35.4625	2.1	34.9225	2.0	103.2
Netherlands	(Fl)	1.9439	+0.006	434 - 444	1.9581	1.9403	1.9401	2.3	1.9321	2.4	1.8965	2.4	102.7
Norway	(NKr)	7.0797	+0.0196	772 - 822	7.1425	7.0548	7.0759	0.6	7.0703	0.5	7.0447	0.5	99.1
Portugal	(Es)	173.185	+0.585	160 - 210	173.850	173.130	173.315	-0.9	173.465	-0.6	173.2	0.0	95.0
Spain	(Pta)	145.640	+0.325	600 - 680	146.500	145.600	145.73	-0.7	145.85	-0.6	145.645	0.0	77.8
Sweden	(SKr)	7.7775	-0.0098	737 - 812	7.8367	7.7737	7.7747	0.4	7.7649	0.7	7.7175	0.8	83.6
Switzerland	(SFr)	1.4699	+0.0029	695 - 703	1.4785	1.4693	1.4651	3.9	1.4557	3.9	1.4102	4.1	103.9
UK	(£)	1.6234	+0.0003	230 - 238	1.6263	1.6218	1.6227	0.5	1.6211	0.6	1.6147	0.5	99.7
Ecu	-	1.1288	-0.0011	284 - 291	1.1298	1.1226	1.13	-1.2	1.1325	-1.3	1.1478	-1.7	-
SDR†	-	0.73035	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	+0.0003	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.0628	-	628 - 629	1.0629	1.0628	-	-	-	-	-	-	-
Canada	(C$)	1.3987	+0.0017	984 - 989	1.4002	1.3970	1.3959	2.4	1.3906	2.3	1.3692	2.1	84.1
Mexico	(New Peso)	7.9200	+0.0335	150 - 250	7.9280	7.9150	8.038	-17.9	8.3045	-19.4	9.165	-15.7	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	106.7
Pacific/Middle East/Africa													
Australia	(A$)	1.2815	-0.0064	811 - 819	1.2819	1.2811	1.2822	-0.7	1.283	-0.5	1.2883	-0.5	100.4
Hong Kong	(HK$)	7.7475	-	470 - 480	7.7480	7.7470	7.7474	0.0	7.7479	0.0	7.759	-0.1	-
India	(Rs)	35.7450	-0.012	200 - 700	35.7700	35.7200	35.96	-7.2	36.42	-7.6	-	-	-
Israel	(Shk)	3.4064	+0.0023	032 - 095	3.4095	3.4032	-	-	-	-	-	-	-
Japan	(Y)	126.575	+0.485	530 - 620	127.080	126.200	126.04	5.1	125.015	4.9	120.215	5.0	122.0
Malaysia	(M$)	2.5103	+0.0006	098 - 108	2.5160	2.5095	2.5131	-1.4	2.5185	-1.3	2.5398	-1.2	-
New Zealand	(NZ$)	1.4390	-0.0029	384 - 395	1.4395	1.4384	1.4413	-1.9	1.4456	-1.8	1.4663	-1.9	-
Philippines	(Peso)	26.3670	-0.003	400 - 940	26.3940	26.3400	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-0.0001	504 - 506	3.7506	3.7504	3.7508	-0.1	3.7512	-0.1	3.7531	-0.1	-
Singapore	(S$)	1.4450	+0.002	440 - 460	1.4488	1.4435	1.4428	1.8	1.4383	1.9	1.417	1.9	-
South Africa	(R)	4.4400	-0.0115	380 - 420	4.4472	4.4380	4.4807	-11.0	4.5557	-10.4	4.8705	-9.7	-
South Korea	(Won)	892.500	-	500 - 500	894.500	890.500	-	-	-	-	-	-	-
Taiwan	(T$)	27.8700	+0.04	500 - 900	27.8900	27.8500	27.8701	0.0	27.8703	0.0	-	-	-
Thailand	(Bt)	26.1150	+0.04	900 - 400	26.1400	26.0900	26.205	-4.1	26.3725	-3.9	27.01	-3.4	-

† SDR rate per $ for Apr 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Apr 25: Base average 1990=100.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

WORLD INTEREST RATES

MONEY RATES

April 28	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	$3\frac{1}{8}$	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{11}{32}$	[illegible]	6.00	2.50	-
France	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{7}{16}$	$3\frac{1}{2}$	$3\frac{21}{32}$	3.10	-	4.75
Germany	$3\frac{1}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{3}{8}$	$3\frac{5}{8}$	4.50	2.50	3.00
Ireland	$5\frac{3}{8}$	$5\frac{3}{8}$	$5\frac{5}{8}$	$5\frac{7}{8}$	$5\frac{7}{8}$	-	-	6.25
Italy	$7\frac{1}{8}$	$6\frac{29}{32}$	$6\frac{3}{4}$	$6\frac{23}{32}$	$6\frac{3}{4}$	8.25	6.75	7.34
Netherlands	$3\frac{3}{8}$	$3\frac{1}{4}$	$3\frac{1}{4}$	$3\frac{1}{2}$	$3\frac{1}{2}$	-	3.00	3.30
Switzerland	$1\frac{3}{8}$	$1\frac{1}{4}$	$1\frac{1}{4}$	$1\frac{7}{32}$	$1\frac{7}{16}$	-	1.00	-
US	$5\frac{1}{4}$	$5\frac{1}{2}$	$5\frac{5}{8}$	6	$6\frac{1}{8}$	-	5.00	-
Japan	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{1}{2}$	$\frac{5}{8}$	-	0.50	-

■ $ LIBOR FT London

	Over night	One month	Three mths	Six mths	One year			
Interbank Fixing	-	$5\frac{1}{2}$	$5\frac{7}{8}$	$6\frac{1}{8}$	$6\frac{1}{2}$	-	-	-
US Dollar CDs	-	5.52	5.67	5.84	6.20	-	-	-
ECU Linked Ds	-	$4\frac{1}{4}$	$4\frac{1}{4}$	$4\frac{3}{8}$	$4\frac{1}{2}$	-	-	-
SDR Linked Ds	-	$3\frac{1}{2}$	$3\frac{5}{8}$	$3\frac{3}{4}$	$3\frac{7}{8}$	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo Mitsubishi, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 28	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{1}{8}$ - $3\frac{1}{32}$	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{3}{8}$ - $3\frac{9}{32}$	$3\frac{19}{32}$ - $3\frac{1}{2}$
Danish Krone	$3\frac{7}{16}$ - $3\frac{1}{4}$	$3\frac{11}{32}$ - $3\frac{1}{4}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{11}{16}$ - $3\frac{9}{16}$	$3\frac{13}{16}$ - $3\frac{11}{16}$	$3\frac{15}{16}$ - $3\frac{13}{16}$
German Mark	$3\frac{1}{8}$ - $2\frac{7}{8}$	$3\frac{3}{16}$ - $3\frac{1}{16}$	$3\frac{1}{4}$ - 3	$3\frac{1}{4}$ - 3	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{5}{8}$ - $3\frac{1}{2}$
Dutch Guilder	$3\frac{3}{8}$ - $3\frac{1}{8}$	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{5}{16}$ - $3\frac{3}{16}$	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{13}{16}$ - $3\frac{11}{16}$
French Franc	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{3}{8}$ - $3\frac{1}{4}$	$3\frac{7}{16}$ - $3\frac{5}{16}$	$3\frac{1}{2}$ - $3\frac{13}{32}$	$3\frac{5}{8}$ - $3\frac{1}{2}$	$3\frac{13}{16}$ - $3\frac{11}{16}$
Portuguese Esc.	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{1}{16}$ - 6	6 - $5\frac{27}{32}$	$5\frac{15}{16}$ - $5\frac{3}{4}$	$5\frac{7}{8}$ - $5\frac{23}{32}$	$5\frac{29}{32}$ - $5\frac{5}{8}$
Spanish Peseta	$5\frac{13}{16}$ - $5\frac{7}{16}$	$5\frac{13}{16}$ - $5\frac{7}{16}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$5\frac{15}{16}$ - $5\frac{13}{16}$	$5\frac{7}{8}$ - $5\frac{13}{16}$	$5\frac{7}{8}$ - $5\frac{13}{16}$
Sterling	6 - $5\frac{7}{8}$	6 - $5\frac{7}{8}$	$6\frac{7}{32}$ - $6\frac{3}{32}$	$6\frac{15}{32}$ - $6\frac{7}{16}$	$6\frac{23}{32}$ - $6\frac{21}{32}$	$7\frac{1}{16}$ - $6\frac{15}{16}$
Swiss Franc	$1\frac{1}{4}$ - $\frac{7}{8}$	$2\frac{5}{8}$ - $1\frac{5}{8}$	$1\frac{13}{32}$ - $1\frac{11}{32}$	$1\frac{17}{32}$ - $1\frac{13}{32}$	$1\frac{19}{32}$ - $1\frac{15}{32}$	$1\frac{27}{32}$ - $1\frac{23}{32}$
Canadian Dollar	$3\frac{1}{16}$ - $2\frac{7}{8}$	$3\frac{1}{8}$ - 3	$3\frac{1}{4}$ - $3\frac{1}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{15}{16}$ - $3\frac{13}{16}$	$4\frac{7}{16}$ - $4\frac{5}{16}$
US Dollar	$5\frac{15}{32}$ - $5\frac{13}{32}$	$5\frac{15}{32}$ - $5\frac{13}{32}$	$5\frac{19}{32}$ - $5\frac{9}{16}$	$5\frac{27}{32}$ - $5\frac{25}{32}$	$6\frac{1}{32}$ - $5\frac{31}{32}$	$6\frac{3}{8}$ - $6\frac{5}{16}$
Italian Lira	$7\frac{13}{16}$ - $6\frac{15}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$	$7\frac{1}{16}$ - 7	$7\frac{1}{16}$ - $6\frac{15}{16}$	$6\frac{31}{32}$ - $6\frac{7}{8}$	$6\frac{29}{32}$ - $6\frac{13}{16}$
Japanese Yen	$\frac{13}{32}$ - $\frac{7}{16}$	$\frac{5}{8}$ - $\frac{1}{2}$	$\frac{9}{16}$ - $\frac{17}{32}$	$\frac{1}{2}$ - $\frac{15}{32}$	$\frac{13}{32}$ - $\frac{7}{16}$	$\frac{11}{16}$ - $\frac{19}{32}$
Asian $Sing	$3\frac{5}{8}$ - $3\frac{1}{4}$	$3\frac{1}{2}$ - $3\frac{1}{4}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{1}{2}$ - $3\frac{3}{8}$	$3\frac{9}{16}$ - $3\frac{7}{16}$

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.36	96.33	+0.04	96.38	96.32	23,184	74,318
Sep	96.42	96.39	+0.03	96.43	96.38	9,489	57,399
Dec	96.42	96.36	+0.01	96.43	96.35	3,558	34,766

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.75	96.74	-0.01	96.75	96.74	7904	235050
Sep	96.69	96.67	-0.02	96.69	96.67	13988	206305
Dec	96.53	96.51	-0.02	96.53	96.50	21465	218104
Mar	96.38	96.36	-0.02	96.38	96.35	11773	188689

■ ONE MONTH EUROMARK FUTURES (LIFFE) DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
May	96.79	96.79	-	96.79	96.79	50	4407
Jun	-	96.78	-	-	-	0	725
Jul	-	96.78	-	-	-	0	300
Aug	-	96.76	-	-	-	0	5

■ THREE MONTH EUROLIRA FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.03	93.07	+0.06	93.09	93.01	21004	125084
Sep	93.29	93.34	+0.07	93.35	93.26	12500	79003
Dec	93.44	93.48	+0.09	93.49	93.40	6617	52089
Mar	93.43	93.50	+0.09	93.51	93.41	3374	32188

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.18	98.18	+0.02	98.20	98.14	6992	53464
Sep	98.11	98.14	+0.04	98.15	98.08	8063	34187
Dec	97.90	98.01	+0.03	98.03	97.96	2648	22780
Mar	97.92	97.91	+0.03	97.92	97.86	841	9260

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	-	99.35	+0.03	-	-	0	na
Sep	-	99.18	+0.02	-	-	0	na
Dec	98.98	98.98	+0.01	98.98	98.98	500	na

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.73	95.77	+0.04	95.77	95.73	727	8357
Sep	95.73	95.76	+0.04	95.76	95.73	118	5143
Dec	95.64	95.66	+0.03	95.66	95.64	25	5590
Mar	95.54	95.56	+0.02	95.54	95.54	28	3868

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9300	0.23	0.55	0.72	0.16	0.21	0.24
9325	0.11	0.38	0.56	0.29	0.29	0.33
9350	0.04	0.25	0.41	0.47	0.41	0.43

Est. vol. total, Calls 13007 Puts 1185. Previous day's open int., Calls 151498 Puts 71583

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 28		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.46	16.34	4.845	1.820	4809	5.454	19.85	485.7	408.5	21.82	4.123	1.728	3.924	2.805	354.9	2.485
Denmark	(DKr)	54.19	10	8.854	2.625	0.986	2606	2.955	10.76	263.2	221.3	11.83	2.234	0.936	2.126	1.520	192.3	1.346
France	(FFr)	61.20	11.29	10	2.965	1.114	2943	3.338	12.15	297.3	250.0	13.36	2.523	1.058	2.402	1.718	217.2	1.521
Germany	(DM)	20.64	3.809	3.372	1	0.376	992.5	1.126	4.098	100.2	84.31	4.504	0.851	0.357	0.810	0.579	73.25	0.513
Ireland	(I£)	54.95	10.14	8.980	2.663	1	2643	2.997	10.91	267.0	224.5	11.99	2.266	0.950	2.157	1.541	195.1	1.366
Italy	(L)	2.079	0.384	0.340	0.101	0.038	100.	0.113	0.413	10.10	8.494	0.454	0.086	0.036	0.082	0.058	7.381	0.052
Netherlands	(Fl)	18.34	3.384	2.996	0.888	0.334	881.8	1	3.641	89.07	74.90	4.002	0.756	0.317	0.720	0.514	65.08	0.456
Norway	(NKr)	50.37	9.295	8.230	2.440	0.916	2422	2.747	10	244.6	205.7	10.99	2.077	0.870	1.977	1.413	178.8	1.252
Portugal	(Es)	20.59	3.799	3.364	0.998	0.375	990.0	1.123	4.088	100.	84.10	4.493	0.849	0.356	0.808	0.577	73.07	0.512
Spain	(Pta)	24.48	4.518	4.000	1.186	0.445	1177	1.335	4.860	118.9	100.	5.343	1.009	0.423	0.961	0.687	86.89	0.608
Sweden	(SKr)	45.82	8.456	7.487	2.220	0.834	2206	2.499	9.097	222.6	187.2	10	1.889	0.792	1.798	1.285	162.6	1.139
Switzerland	(SFr)	24.25	4.476	3.963	1.175	0.441	1166	1.323	4.816	117.8	99.08	5.293	1	0.418	0.952	0.680	86.08	0.603
UK	(£)	57.87	10.68	9.456	2.804	1.053	2783	3.156	11.49	281.1	236.4	12.63	2.386	1	2.271	1.623	205.4	1.438
Canada	(C$)	25.48	4.703	4.164	1.235	0.464	1225	1.390	5.059	123.8	104.1	5.561	1.051	0.440	1	0.715	90.44	0.633
US	($)	35.66	6.580	5.826	1.728	0.649	1715	1.945	7.078	173.2	145.7	7.782	1.470	0.616	1.399	1	126.6	0.886
Japan	(Y)	28.17	5.200	4.604	1.365	0.513	1355	1.537	5.594	136.9	115.1	6.149	1.162	0.487	1.106	0.790	100.	0.700
Ecu		40.24	7.427	6.576	1.950	0.732	1935	2.195	7.990	195.5	164.4	8.783	1.659	0.695	1.579	1.129	142.8	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5789	0.5802	-0.0010	0.5802	0.5794	16,021	61,353
Sep	0.5834	0.5840	-0.0012	0.5840	0.5834	23	3,183
Dec	-	0.5903	-	-	0.5882	1	320

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7942	0.7952	-0.0024	0.7952	0.7942	16,196	63,574
Sep	0.8055	0.8058	-0.0028	0.8058	0.8052	77	1,399
Dec	0.8165	0.8185	-	0.8165	0.8165	128	705

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6826	0.6830	-0.0014	0.6830	0.6821	11,655	43,168
Sep	0.6880	0.6900	-0.0014	0.6900	0.6892	50	2,107
Dec	-	0.7030	-	-	0.6990	100	428

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6250	1.6210	-0.0008	1.6230	1.6210	3,268	37,808
Sep	-	1.6204	+0.0010	1.6204	1.6190	48	830
Dec	-	1.6180	+0.0010	1.6180	-	2	101

UK INTEREST RATES

LONDON MONEY RATES

Apr 28	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	$6\frac{1}{16}$ - 5	$6\frac{1}{8}$ - $5\frac{7}{8}$	$6\frac{7}{32}$ - $6\frac{3}{32}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	$6\frac{13}{16}$ - $6\frac{11}{16}$	$7\frac{1}{16}$ - $6\frac{15}{16}$
Sterling CDs	-	-	$6\frac{7}{16}$ - $6\frac{1}{8}$	$6\frac{13}{32}$ - $6\frac{11}{32}$	$6\frac{21}{32}$ - $6\frac{17}{32}$	$6\frac{7}{8}$ - $6\frac{13}{16}$
Treasury Bills	-	-	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{7}{16}$ - $6\frac{3}{8}$	-	-
Bank Bills	-	-	$6\frac{3}{16}$ - $6\frac{1}{16}$	$6\frac{13}{32}$ - $6\frac{5}{16}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	-
Local authority deps.	6 - $5\frac{7}{8}$	6 - $5\frac{7}{8}$	$6\frac{1}{16}$ - 6	$6\frac{5}{16}$ - $6\frac{3}{16}$	$6\frac{9}{16}$ - $6\frac{7}{16}$	$6\frac{15}{16}$ - $6\frac{11}{16}$
Discount Market deps	6 - $5\frac{7}{8}$	6 - $5\frac{7}{8}$	-	-	-	-

UK clearing bank base lending rate 6 per cent from October 30, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	$2\frac{1}{2}$	$5\frac{1}{2}$	5	5	$4\frac{1}{2}$

Certs of Tax dep. under £100,000 is $2\frac{1}{2}$pc. Deposits withdrawn for cash $1\frac{1}{2}$pc.
Ave. tender rate of discount on Apr 25, 6.1348pc. ECGD fixed rate Stlg. Export Finance. Make up day Mar 27, 1997. Agreed rate for period Apr 22, 1997 to May 25, 1997, Scheme III 7.53pc. Reference rate for period Mar 1, 1997 to Mar 27, 1997, Schemes IV & V 6.282pc. Finance House Base Rate $6\frac{1}{2}$pc from Apr 1, 1997

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	93.33	93.33	-0.01	93.36	93.32	9624	115189
Sep	93.06	93.06	-	93.08	93.03	8374	94202
Dec	92.83	92.84	+0.02	92.86	92.79	8217	79351
Mar	92.63	92.67	+0.02	92.70	92.61	3805	51380
Jun	92.52	92.55	+0.03	92.56	92.48	2251	40803

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9325	0.14	0.10	0.11	0.06	0.29	0.52
9350	0.03	0.05	0.05	0.20	0.47	0.71
9375	0	0.01	0.02	0.42	0.70	0.93

Est. vol. total, Calls 572 Puts 4850. Previous day's open int., Calls 172840 Puts 168292

EMS EUROPEAN CURRENCY UNIT RATES

Apr 28	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Portugal	197.398	198.634	+0.242	-0.59	2.70	3
Ireland	0.796709	0.734743	+0.000308	-8.01	11.21	54
Finland	5.85424	5.88941	+0.00506	0.60	1.59	-8
Spain	163.826	165.205	+0.2	0.84	1.45	-6
Denmark	7.34555	7.46323	+0.0121	1.60	0.69	-11
Netherlands	2.15979	2.20634	+0.00443	1.84	0.65	-12
Germany	1.91007	1.96034	+0.00384	1.80	0.50	-16
Austria	13.5485	13.7965	+0.0264	1.83	0.46	-13
Belgium	39.7191	40.4494	+0.0752	1.84	0.45	-13
Italy	1906.48	1945.24	-4.12	2.03	0.28	-15
France	6.40863	6.61713	+0.00025	2.30	0.00	-16
NON ERM MEMBERS						
Greece	295.269	311.026	-0.593	5.34	-2.86	-
UK	0.786103	0.697361	-0.00508	-12.07	16.55	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
1.620	1.19	1.76	2.21	0.97	1.64	2.26
1.630	0.54	1.33	1.76	1.53	2.19	2.84
1.640	0.43	0.96	1.37	2.10	2.77	3.25

Previous day's vol., Calls 84 Puts 205. Prev. day's open int., Calls 32,653 Puts 32,881

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS May	CALLS Jun	CALLS Jul	PUTS May	PUTS Jun	PUTS Jul
0.570	0.47	0.79	1.04	0.49	0.86	0.93
0.575	0.23	0.56	0.81	0.78	0.98	1.09
0.580	0.16	0.40	0.61	1.12	1.29	1.40

Previous day's vol., Calls 453 Puts 798. Prev. day's open int., Calls 25,917 Puts 36,127

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	93.97	93.97	-	93.97	93.96	49,570	479,855
Sep	93.67	93.66	-	93.67	93.65	64,223	418,734
Dec	93.37	93.36	-	93.37	93.36	78,312	306,666

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.56	94.55	-0.01	94.56	94.55	826	6,943
Sep	94.24	94.25	-	94.25	94.24	36	3,668
Dec	-	94.50	-	-	-	-	-

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS May	CALLS Jun	CALLS Jul	CALLS Sep	PUTS May	PUTS Jun	PUTS Jul	PUTS Sep
9650	0.24	0.24	0.19	0.20	0	0	0.02	0.03
9675	0.02	0.03	0.05	0.05	0.03	0.04	0.11	0.13
9700	0	0	0.01	0.01	0.25	0.26	0.34	0.34

Est. vol. total, Calls 5800 Puts 1951. Previous day's open int., Calls 472398 Puts 287657

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9800	0.06	0.10	0.14	0.13	0.21	0.36
9825	0.01	0.03	0.06	0.33	0.38	0.56

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1360 Puts 1540

BASE LENDING RATES

	%		%		%
Adam & Company	6.00	Duncan Lawrie	6.00	Royal Bk of Scotland	6.00
Allied Irish Bank (GB)	6.00	Exeter Bank Limited	7.00	•Singer & Friedlander	6.00
•Henry Ansbacher	6.00	Financial & Gen Bank	7.00	•Smith & Williamson Secs	6.00
Bank of Baroda	6.00	•Robert Fleming & Co	6.00	Scottish Widows Bank	6.00
Banco Bilbao Vizcaya	6.00	Girobank	6.00	TSB	6.00
Bank of Cyprus	6.00	•Guinness Mahon	6.00	United Bank of Kuwait	6.00
Bank of Ireland	6.00	Habib Bank AG Zurich	6.00	Unity Trust Bank Plc	6.00
Bank of India	6.00	•Hambros Bank	6.00	Western Trust	6.00
Bank of Scotland	6.00	Heritable & Gen Inv Bk	6.00	Whiteaway Laidlaw	6.00
Barclays Bank	6.00	•Hill Samuel	6.00	Yorkshire Bank	6.00
Brit Bk of Mid East	6.00	C. Hoare & Co	6.00		
•Brown Shipley & Co Ltd	6.00	Hongkong & Shanghai	6.00	• Members of London Investment Banking Association	
Citibank NA	6.00	Investec Bank (UK) Ltd	6.00	* In administration	
Clydesdale Bank	6.00	Julian Hodge Bank	6.00		
The Co-operative Bank	6.00	•Leopold Joseph & Sons	6.00		
Coutts & Co	6.00	Lloyds Bank	6.00		
Cyprus Popular Bank	6.00	Midland Bank	6.00		
		NatWestminster	6.00		
		•Rea Brothers	6.00		

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

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	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Abtrust Fund Mngrs Luxembourg SA (u)						
4 Boulevard Royal L 2449 Luxembourg 00 352 227001						
Abtrust Atlas Fund						
Global Cap Portfolio			$3.834		-0.009	-
United States Portfolio			$5.7349		-0.061	-
Cont Europe Portfolio	0		DM7.785		-0.062	-
Japan Portfolio			[illegible]		+0.003	-
Pacific Portfolio			$6.379		-0.057	-
Gold Portfolio			$5.290		-0.004	-
UK Growth of Income			£2.290		-0.007	5.81
Dollar Portfolio			$1.831		+0.001	7.03
Sterling Portfolio			£1.030		-	6.30
Aetna Master Fund (n) (x)						
21 avenue de la Liberte, L-1931, Lux 00 352 2954 941						
Australasian NAV			A$17.62		-0.05	-
Austrian Nat NAV			Sch67.26		-0.38	-
Belgo/Lux NAV			BFr[illegible]		-7.42	-
Dutch Nat NAV			[illegible]		-0.65	-
French Nat NAV			FFr145.39		-0.42	-
German Nat NAV			DM21 41		-0.13	-

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Fleming Group - Contd.						
FFF Eastern European F.			[illegible]	31.78	+0.01	-
FFF Europe Opps			$21 40	22.77	-0.12	-
FFF Emerging Markets F.			$10.41	11.02	-0.05	-
FFF Latin American			$73.00	14.44	+0.01	-
FFF US Discovery			$40.33	42.40	-0.41	-

	Init Charge	Notes	Selling Price	Buying Price	+ or -	Yield Gr's
Mercury Asset Management - Contd.						
Mercury World Bond Fund - SICAV (u)						
Mercury World Bond			$34.58	36.32	-0.18	0.00
Midland Intl Circuit Fund SICAV (n)						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 28, St Helier, Jersey						
UK Growth			£1.544	1.628	-	1.02
European Growth				1.963	-0.02	-
Japan Growth				0.715		-
Pacific Growth				2		-
Multicurrency Bond				1.177	-	
US$ Liquidity				1.865		4.14

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

strike furthe rise in zinc ... forecas

CROSSWORD

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	52 week low	Mkt CapÂ£m	Yld Gr's	P/E
Allied Domecq	♣	434½	+1	533	407½	4,514	6.8	13.1
Bulmer (HP)	[illegible]	546	—	626	477	297.8	3.1	16.2
Burn St Dist	[illegible]	[illegible]	—	131	57½	35.6	7.1	14.9
Glenmorangie A	[illegible]	955	—	1040	615	120.0	1.6	25.0
B	[illegible]	1085	—	1140	865	49.6	0.7	39.6
Grand Met	[illegible]	510	+2	616½	411½	10,749	3.9	16.5
Guinness	[illegible]	512½	-1	520	424	[illegible]	3.9	14.5
Highland	[illegible]	239	-3½	280	120	490.0	3.2	15.4
5¼pc Cnv Bds		99¼	[illegible]	101½	[illegible]	—	—	—
Kirin Y		[illegible]	+3	[illegible]	[illegible]	8,198	1.2	20.1
Matthew Clark	[illegible]	[illegible]	-1½	[illegible]	255½	233.1	10.5	13.1
Merrydown	[illegible]	[illegible]	[illegible]	141	90½	[illegible]	8.4	12.2
Seagram C$		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	1.7	—

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

INSURANCE

[illegible]

INSURANCE - Cont.

[illegible]

INVESTMENT TRUSTS

Approved by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

Net asset values supplied by Natwest Securities Limited as a guide only. See guide to London Share Service

INV TRUSTS SPLIT CAPITAL

Approved by the Inland Revenue

[illegible]

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

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	Selling Price	Buying Price	+or -	Yield Gross
Old Mutual International (Isle of Man) Ltd				
Victory Hse, Prospect Hill, Douglas, IoM 01624 [illegible]				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Premier Life				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Professional Investment Consultants				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Selling Price	Buying Price	+or -	Yield Gross
Apex Bank & Trust Company				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aravis Capital Advisors LLC				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asia Pacific Capital Strategies Fund				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asia Pacific Securities Corp Ltd				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aurum Funds				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BAS-EX Currency Fund Plc				
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER OFFSHORE FUNDS

◆ MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

Election week begins with shares on the up

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

A return of confidence on Wall Street, coupled with a strong showing by gilts, helped the UK equity market gradually regain its composure yesterday.

But the market never looked comfortable until the last hour of trading when Wall Street moved into top gear, with the Dow Jones Industrial Average posting a 40-point rise ahead of some crucially important economic data.

By the close of trading, the FTSE 100 index had moved up to a day's high of 4,389.7, up 20 points. The index was said to be looking to break through the 4,400 level once again, if Wall Street maintained its composure.

There was no disguising the lack of interest across the rest of the stock market, however. The FTSE 250 index was always in negative territory, falling 7.4 at its worst on the day to reach 4,493.1, before rallying to end the session a net 4.3 lower at 4,496.2. Similarly, there was very little support for smaller capitalised stocks: the SmallCap index finished 3.5 down at 2,295.2.

Although Thursday's general election remained one of the day's biggest talking points, marketmakers said the welter of press reports at the weekend suggesting a comfortable Labour victory played little or no part in the market's performance.

"The only business generated in the market by the election stories was a sharp increase in betting on the outcome of the election by dealers across the City," said one trader.

He said the main focus of attention during the day was on Wall Street, which has to cope with news of consumer confidence and durable goods orders on Tuesday, first quarter gross domestic product, due on Wednesday, the purchasing managers' report on Thursday and – most importantly – the non-farm payroll report for April, expected on Friday.

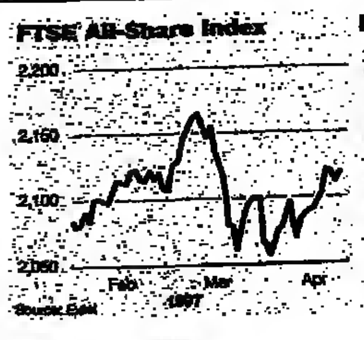
Observers said the week's data would provide crucial pointers to the outcome of the next Federal Reserve Open Market Committee meeting on May 20. Another increase in US interest rates is expected by some observers following the meeting.

Turnover at 6pm reached 673.8m shares, relatively high for a Monday, but that figure included 72m shares traded in two of the market's penny stocks, Dragon Oil and Minmet, which attracted 54m and 18m shares respectively.

Financial stocks once more attracted heavy buying interest, partly because of the recent successful flotation of Alliance & Leicester, the building society turned bank, but also because of growing enthusiasm about the forthcoming flotations of the Halifax and the Norwich Union. Banks and insurances occupied eight out of the top nine places in the FTSE 100 performance table.

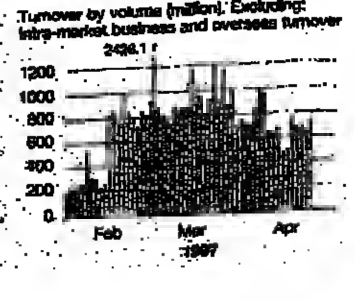
Sterling's move back over the 100 trade-weighted level, although it eventually finished below that mark, caused few problems to shares in the big exporters. However, dealers and analysts warned that a long list of annual meetings during the week could provide some shocks for the market.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FTSE 100	4389.7	+20.0	FT 30	2869.7	+7.7
FTSE 250	4496.2	-4.3	FTSE Non-Fins p/e	18.24	18.25
FTSE 350	2150.4	+7.4	FTSE 100 Fut Jun	4405.0	+12.0
FTSE All-Share	2118.62	+6.47	10 yr Gilt yield	7.67	7.71
FTSE All-Share yield	3.61	3.62	Long gilt/equity yld ratio	2.11	2.12

Best performing sectors

1 Banks: Retail .... +1.8
2 Life Assurance .... +1.8
3 Pharmaceuticals .... +1.0
4 Telecommunications .... +1.0
5 Insurance .... +0.9

Worst performing sectors

1 Tobacco .... -1.3
2 Engineering: Vehicles .... -1.2
3 Paper: Pckg & Print .... -0.8
4 Textiles & Apparel .... -0.8
5 Household Goods .... -0.7

Banks trade at peak

By Peter John and Joel Kibazo

The bank sector traded around its all-time relative high with more than a little extra help from the forthcoming Halifax flotation.

Although still a month away, the auction of Halifax shares was thrown into focus by news that the building society set a floor price for institutional investors of 415p apiece.

And, as the share price of Alliance & Leicester rises, in contrast to banking analysts' cautious attitude towards the company, the market is busily hiking Halifax valuations. The current range is between 500p and 550p a share.

Furthermore, private A&L shareholders saw the share price run away from them and it is expected that Halifax members may be more wary of selling their entitlement.

It thus becomes increasingly likely that institutions will struggle to get hold of stock and will have to look elsewhere to maintain their weight in the sector.

Yesterday, four of the six best performers in the Footsie were banking stocks. Lloyds TSB, which offers excellent exposure to the healthy housing market, was top dog with a gain of 19 to a new closing peak of 576p.

Barclays added 28 at £11.16¼p with continuing support from speculation that it will offload its BZW securities arm. There was speculation that J.P. Morgan might be interested.

Meanwhile, Royal Bank of Scotland lifted 13½ to 572p and Bank of Scotland 7½ to 360p. A&L added 5 at 559p.

It was a volatile debut for Cable & Wireless Communications, the merged UK cable television and telephone service provider.

The group's shares started trading yesterday afternoon, with dealing in the London market timed to coincide with the start of trading on the New York Stock Exchange.

The shares opened at 300p, and frantic buying in the first hour saw the stock touch a session peak of 309p. However, sellers emerged at the higher levels, prompting a retreat which saw the shares close half a penny lighter at 299½p. Turnover was 7.3m.

The new company is valued at around £4.5bn but the limited size of CWC's free float of shares means the stock will not feature in the FTSE 100 index. Its traded shares constitute only 14.7 per cent of the group's total stock. The London Stock Exchange requires a free float of 25 per cent for inclusion in the FTSE 100.

Hambros was buffeted by legal activity surrounding the merchant bank's role as adviser in the failed £1.22bn bid for the Co-operative Wholesale Society.

In the morning, the shares bounced after Hambros apologised for its involvement and appeared to head off further legal action by the Co-op. Later in the day, it said it was making a substantial out-of-court settlement and the stock came off its high to close 5 up at 242p. Nevertheless, first indications suggested the settlement, shared by solicitors Travers Smith Braithwaite, would be no greater than £10m.

Chiroscience fell 17½ to 335p as the biotech company announced a sharp rise in full-year losses. Losses widened to £18.7m from £11.64m in the year ended February 28, largely reflecting an 84 per cent rise in research and development spending to £22.2m. However, some brokers believe that the fundamentals remain strong and Panmure Gordon stressed its enthusiasm for the stock.

British Biotech improved 2½ to 247p after signing a three-year collaborative discovery research agreement with SynPhar Laboratories of Canada to design and synthesise potential new drugs.

Brent International slipped 4¼ to 86¼p. The industrial inks and coatings company told shareholders at its annual meeting that, because of quiet market conditions, resulted in its imaging management business was trading at levels similar to the second half of last year and below levels achieved in early 1996.

Doubts about the strategy of Anglo-US engineering group LucasVarity continued to overhang the shares as the company confirmed another share buy-back. The shares gave up 6 to 183½p, the day's worst performer in the FTSE 100.

Just before yesterday's close, LucasVarity said it had purchased for cancellation another 2.5m of its ordinary shares from ABN Amro Hoare Govett Securities, one of its joint brokers. The company paid 185p a share for the stock which represents approximately 0.2 per cent of LucasVarity's ordinary share capital.

Last week, the company bought 1m ordinary shares as part of a programme to repurchase around 3 per cent of its own stock for cancellation.

News of lower than expected figures from US aircraft manufacturer Boeing weakened British Aerospace. The shares fell 24 to £13.23½p. One market specialist said: "It is a sentiment thing. BAe operates in some similar markets to Boeing." BAe holds a 20 per cent stake in the Airbus consortium.

Dealers also suggested there was some nervousness in the market about BAe's annual meeting on Wednesday. Last week Vickers used its annual meeting to announce a profits warning, which cast a shadow over the engineering sector as a whole. A buy note boosted Vickers yesterday, with the shares closing 3½ up at 210½p.

Elsewhere, shares in BSM, the driving instruction group, went into reverse after the company issued a profits warning. The company said profits in the first half of this year could be about half of last year's level, due to regulation changes for driving tests.

The shares fell 38 or 26.7 per cent to 103½p, the worst performer in the FTSE All Share.

BAT shed 7 to 516½p after a US court ruling on Friday that tobacco could be regulated as a drug.

Premier Oil ended the day marginally firmer at 39½p with support from Lehman Brothers. Lehman said the company had a moderate risk medium-term drilling programme, the most attractive valuation in the sector and a series of promising "crown jewel" international exploration projects.

Takeover news injected life into Quality Care Homes, the nursing home operator. The shares jumped 37 to 311p after the company said it was in talks that might lead to an offer for it.

Partners Holdings, a specialist stationery store group, made its market debut yesterday. The shares, placed at 150p, began trading at 162p and ended the day at 169½p.

FT 30 INDEX

	Apr 28	Apr 25	Apr 24	Apr 23	Apr 22	Yr ago	*High	*Low
FT 30	2869.7	2862.0	2869.1	2862.2	2855.1	2838.9	2931.4	2666.8
Ord. div. yield	3.86	3.87	3.87	3.85	3.88	3.81	4.22	3.76
P/E ratio net	17.20	17.13	17.17	17.25	17.09	18.71	18.09	15.80
P/E ratio nil	17.02	16.96	18.99	17.08	16.91	18.44	17.87	15.71

FT 30 since compilation: high 2931.4 10/03/97; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2858.3	2859.9	2864.7	2863.7	2867.5	2866.1	2865.7	2864.7	2869.0	2869.7	2857.8

	Apr 28	Apr 25	Apr 24	Apr 23	Apr 22	Yr ago
SEAQ bargains	50,735	45,572	46,319	48,378	47,801	34,018
Equity turnover (£m)†	-	1927.2	2177.3	2348.3	1989.6	1698.9
Equity bargains†	-	39,822	41,067	44,561	50,791	41,421
Shares traded (mil)†	-	627.1	730.9	733.9	650.4	727.7

†Excluding intra-market and overseas turnover but including Crest turnover.

	Apr 28	Apr 25	Apr 24	Apr 23	Apr 22	Yr ago	*High	*Low
FTSE AIM	1085.8	1085.0	1086.8	1089.6	1089.2	1065.3	1140.4	965.7

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London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	433	Total Highs	28	Total contracts	24,301
Total Falls	857	Total Lows	53	Calls	15,058
Same	1,309			Puts	8,243

Apr 28 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	4384.0	4405.0	+11.0	4420.0	4379.0	7086	58781
Sep		4433.0	+12.0			0	3104
Dec		4475.0	+11.0			0	250

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		4510.0	-5.0			0	4841

FTSE 100 INDEX OPTION (LIFFE) (*4384) £10 per full index point

[illegible]

Calls 4,959 Puts 2,407

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

	4225 C	4225 P	4275 C	4275 P	4325 C	4325 P	4375 C	4375 P	4425 C	4425 P	4475 C	4475 P	4525 C	4525 P	4575 C	4575 P
May	189	12½	139	18½	99½	28½	68½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jun	217	38½	170½	49½	143	64	111½	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jul	246½	53½	209	65½	173½	79	141	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sep	288	84½			219½	114			[illegible]	[illegible]						
Dec†	352	111			284½	140			[illegible]	[illegible]						

Calls 5,912 Puts 3,955 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1997 High	1997 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
*	F.P.	3,253	576	532½	Alliance & Leic	559	+5	L16.3	2.5	3.6	13.7
§100	F.P.	25.0	100	99	Aurora Inv Trust	100		-	-	-	-
§	F.P.	5.87	44½	38½	†Bickerton	38½		-	-	-	21.5
-	F.P.	4,460	308½	294½	Cable & Wireless	299½		-	-	-	-
§40	F.P.	12.6	65	54½	†Charlton Athltc	57½		-	-	-	-
	F.P.	38.0	95	95	Close Bros Pr VCT	95		-	-	-	-
§130	F.P.	15.4	139½	132½	†Comino	139½		2.25	4.6	2.0	13.1
§	F.P.	12.1	81½	70½	Donatantonio	80	-½	0.5	ф	0.8	ф
§175	F.P.	25.9	212½	188	Heal's	212½		13.9	3.1	2.3	15.5
§110	F.P.	5.42	130½	122½	†Lady in Leisure	130½	+3	b-	-	-	-
§44	F.P.	4.06	50	46	†Methven's	48		-	-	-	-
50	F.P.	19.8	54½	50½	†NMT	50½		-	-	-	-
§135	F.P.	179.0	144½	114	Newcastle Utd	125		u1.6	-	1.6	-
*	F.P.	1.71	28½	28½	†Northstar Secs	28½		-	-	-	-
	F.P.	4.75	95	95	Oxford Tech Vent	95		-	-	-	-
-	F.P.	31.6	169½	157½	Partners Hldgs	169½		a-	-	-	19.6
143	F.P.	21.8	155½	150	Qualceram	155½		22.8%	-	1.5	-
§100	F.P.	10.3	105½	102½	†Soccer Investmnt	103½	+1	-	-	-	-
-	F.P.	12.4	107½	107½	†Torch Hldgs	107½		-	-	-	-
-	F.P.	82.3	69½	59	Utd Overseas Grp	69	+4	-	-	-	15.0

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FTSE GOLD MINES INDEX

	Apr 25	% chg on day	Apr 24	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(32)	1482.80	+0.5	1475.29	2301.79	2.26	-	2392.88	1475.29
Regional Indices								
Africa (14)	1804.81	+0.4	1798.41	3019.83	4.85	28.59	3187.52	1798.41
Australasia (8)	1858.52	+0.1	1856.64	2734.24	2.87	20.34	2844.14	1799.25
North America (12)	1344.26	+0.8	1335.84	2036.13	0.90	51.46	2126.45	1335.84

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FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 28	Day's chge%	Apr 25	Apr 24	Apr 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	4389.7	+0.5	4369.7	4368.5	4387.7	3809.2	3.88	2.07	16.36	64.30	1863.88
FTSE 250	4498.2	-0.1	4500.5	4517.4	4528.4	4553.8	3.57	1.53	22.85	55.04	1865.29
FTSE 250 ex IT	4531.2	-0.1	4538.1	4554.6	4568.0	4592.3	3.65	1.56	21.94	56.75	1884.83
FTSE 350	2150.4	+0.3	2143.0	2152.0	2152.7	1928.5	3.68	1.97	17.37	30.44	1864.33
FTSE 350 Higher Yield	2077.8	+0.4	2069.1	2079.8	2085.3	1851.3	4.75	1.84	14.28	35.33	1524.05
FTSE 350 Lower Yield	2229.6	+0.3	2223.5	2230.5	2226.1	2013.2	2.56	2.20	22.20	25.18	1584.14
FTSE SmallCap	2295.25	-0.1	2298.67	2300.81	2300.57	2227.05	3.05	1.71	24.02	25.17	1938.68
FTSE SmallCap ex IT	2304.12	-0.2	2308.58	2311.18	2312.25	2218.94	3.24	1.78	21.59	26.97	1961.85
FTSE All-Share	2118.62	+0.3	2112.15	2120.47	2121.13	1911.39	3.61	1.95	17.74	28.47	1864.17

FTSE Actuaries Industry Sectors

	Apr 28	Day's chge%	Apr 25	Apr 24	Apr 23	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(20)	4085.20	-0.5	4106.82	4114.11	4133.74	3523.16	3.85	2.15	15.93	70.31	1822.18
12 Extractive Industries(5)	4122.84	-0.4	4137.94	4134.30	4124.46	4672.80	3.82	2.38	13.73	104.80	1260.25
15 Oil, Integrated(3)	4203.63	-0.6	4228.50	4237.34	4282.53	3522.33	3.86	2.11	15.34	70.72	1926.02
18 Oil Exploration & Prod(12)	3469.78	-0.2	3478.06	3485.90	3489.78	2520.65	1.67	2.19	34.27	35.20	2124.15
20 GEN INDUSTRIALS(289)	1951.37	-0.3	1958.08	1964.39	1979.21	2165.33	4.09	1.91	16.02	27.24	1106.71
21 Building & Construction(35)	1365.99	----	1366.51	1365.42	1360.55	1269.56	3.18	1.97	20.11	21.10	1184.80
22 Building Matls & Merchs(31)	1887.07	-0.3	1892.82	1901.06	1894.15	2014.67	4.25	2.77	10.60	29.04	990.61
23 Chemicals(26)	2223.66	-0.2	2228.37	2239.48	2264.59	2575.36	4.72	1.46	18.14	38.84	1097.71
24 Diversified Industrials(16)	1465.43	+0.4	1458.99	1467.05	1483.18	1814.30	4.83	2.04	12.42	28.70	863.50
25 Electronic & Elect Equip(38)	2128.72	-0.4	2137.39	2129.49	2148.54	2412.79	3.70	1.56	21.72	8.12	1134.68
26 Engineering(69)	2498.07	-0.6	2512.56	2523.07	2554.87	2498.79	3.39	2.46	14.97	30.51	1564.00
27 Engineering, Vehicles(13)	2680.60	-1.2	2713.67	2728.83	2771.58	3040.80	4.15	‡	‡	38.40	1434.90
28 Paper, Pckg & Printing(27)	2425.09	-0.8	2443.80	2451.07	2451.79	2798.68	4.31	1.86	15.54	40.53	1051.14
29 Textiles & Apparel(14)	1070.63	-0.8	1078.78	1083.38	1089.14	1490.11	6.58	0.84	20.10	10.66	684.08
30 CONSUMER GOODS(94)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Alcoholic Beverages(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Food Producers(25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Household Goods(17)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Health Care(19)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
37 Pharmaceuticals(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
38 Tobacco(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
40 SERVICES(272)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 Distributors(33)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Leisure & Hotels(31)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
43 Media(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Retailers, Food(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Retailers, General(53)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
47 Breweries, Pubs & Rest.(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
48 Support Services(36)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 Transport(22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
60 UTILITIES(32)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Electricity(15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Gas Distribution(2)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Telecommunications(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Water(13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 NON-FINANCIALS(677)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 FINANCIALS(106)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Banks, Retail(9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
73 Insurance(18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
74 Life Assurance(7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
77 Other Financial(28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
79 Property(44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
80 INVESTMENT TRUSTS(127)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
89 FTSE All-Share(910)	2118.62	+0.3	2112.15	2120.47	2121.13	1911.39	3.61	1.95	17.74	28.47	1864.17
FTSE Fledgling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE Fledgling ex IT	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FTSE 100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 250	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FTSE 350	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Time of FTSE 100 Day's high: [illegible] Day's low: [illegible] FTSE 100 1997 High: [illegible] Low: [illegible]

FTSE 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pharmaceuticals	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Water	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Banks, Retail	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

For further information on the FTSE Actuaries Share Indices please contact FTSE International on 0171 448 1810.

 † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

FTSE INTERNATIONAL

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FTSE 100 index constituent. All trades are rounded. Source: Reuters, part of FT information.

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

Approved by the Inland Revenue

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Cont.

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Cont.

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TEXTILES & APPAREL - Cont.

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FTSE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name. Prices shown for some of these foreign securities are converted into sterling from latest available local Stock Exchange prices.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 21.(4)(V) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1997.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1997-98.
S Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xt ex capital distribution.

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4 pm close April 28

NEW YORK STOCK EXCHANGE PRICES

1997 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

- A -

- B -

- C -

- D -

- E -

- F -

- G -

- H -

- I -

- J -

- K -

- L -

- M -

- N -

- O -

- P - Q -

- R -

- S -

Continued on next page

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 28 / Sch)

BELGIUM/LUXEMBOURG (Apr 28 / Frs.)

CZECH REP (Apr 28 / Koruna)

DENMARK (Apr 28 / Kr)

FINLAND (Apr 28 / Mks)

FRANCE (Apr 28 / Frs.)

GERMANY (Apr 28 / Dm.)

GREECE (Apr 24 / Drachma)

ITALY (Apr 28 / Lira)

NETHERLANDS (Apr 28 / Fls.)

NORWAY (Apr 28 / Kroner)

POLAND (Apr 28 / Zloty)

PORTUGAL (Apr 28 / Escudo)

SPAIN (Apr 28 / Pts.)

SWEDEN (Apr 28 / Kronor)

SWITZERLAND (Apr 28 / Frs.)

TURKEY (Apr 28 / Tk Lira)

PACIFIC

JAPAN (Apr 28 / Yen)

AUSTRALIA (Apr 28 / Aus$)

HONG KONG (Apr 28 / H.K.$)

INDONESIA (Apr 28 / Rupiah)

MALAYSIA (Apr 28 / MYR)

NEW ZEALAND (Apr 28 / NZ $)

SINGAPORE (Apr 28 / S$)

SOUTH KOREA (Apr 28 / Won)

TAIWAN (Apr 28 / TW $)

THAILAND (Apr 28 / Baht)

NORTH AMERICA

CANADA

TORONTO (Apr 28 / Can $) 4 pm close

MONTREAL (Apr 28 / Can $) 4 pm close

AFRICA

SOUTH AFRICA (Apr 25 / Rand)

Prices supplied by Extel, part of FT Information.

NOTES – Prices on this page are as quoted on the individual exchanges and are usually last traded prices. * Calendar year high and low. § Dealings suspended. xd Ex dividend. xs Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Apr 28	Apr 25	Apr 24	1997 High	1997 Low
Argentina					
General(29/12/77)	(c)	20606.71	20646.31	21551.32 24/2	18237.37 2/1
Australia					
All Ordinaries(1/1/80)	2461.7	(c)	2474.7	2601.70 18/2	2352.20 1/4
All Mining(1/1/80)	897.2	(c)	905.9	987.10 24/2	878.40 15/4
Austria					
Credit Aktien(30/12/84)	402.21	402.77	406.03	408.23 11/3	374.40 9/1
Traded Index(2/1/91)	1202.57	1206.21	1215.27	1238.43 11/3	1130.22 9/1
Belgium					
BEL20(1/1/91)	2217.16	2202.22	2223.49	2223.49 24/4	1871.86 2/1
Brazil					
Bovespa(29/12/83)	(c)	9732.0	9709.0	9837.00 7/4	8555.50 2/1
Canada					
Metals Minls(1975)	(c)	5130.63	5175.52	5881.76 10/3	4945.86 11/4
Composite(1975)	(c)	5835.3	5864.8	6332.80 10/3	5578.30 14/4
Portfolio§§(4/1/83)	(c)	2957.55	2980.2	3214.30 10/3	2846.02 11/4
Chile					
IGPA Gen(31/12/80)	(c)	5321.63	5338.55	5443.62 25/2	4812.42 2/1
Denmark					
CopenhagenSE(3/1/83)	543.38	(c)	542.98	585.40 11/3	470.14 2/1
Finland					
HEX General(28/12/90)	2858.90	2877.79	2884.41	3006.36 11/3	2483.28 2/1
France					
SBF 250(31/12/90)	1723.89	1716.38	1718.66	1815.36 10/3	1633.19 2/1
CAC 40(31/12/87)	2550.25	2536.26	2539.83	2708.21 10/3	2256.67 2/1
Germany					
FAZ Aktien(31/12/58)	1161.70	1165.74	1172.72	1182.88 11/3	998.21 2/1
Commerzbank(1/12/53)	3400.8	3412.4	3430.8	3472.30 27/3	2875.80 2/1
DAX‡(30/12/87)	3383.08	3374.10	3397.36	3480.88 11/3	2848.77 2/1
Greece					
Athens SE(31/12/80)	(c)	(c)	1455.85	1488.85 24/4	854.54 2/1
Hong Kong					
Hang Seng(31/7/64)	12610.17	12645.76	12726.83	13868.24 20/1	12065.17 3/4
India					
BSE Sens.(1979)	3825.51	3825.57	3805.72	3944.81 4/3	3225.24 2/1
Indonesia					
Jakarta Comp.(10/8/82)	656.53	652.47	652.98	712.80 28/2	631.27 15/4
Ireland					
ISEQ Overall(4/1/88)	3025.42	3022.63	3024.17	3088.63 11/3	2725.07 2/1
Italy					
Banca Comm Ital(1972)	758.41	(c)	764.96	787.71 10/2	642.55 2/1
MIB General(2/1/97)	1141.0	(c)	1150.0	1197.00 18/2	991.00 2/1
Japan					
Nikkei 225(16/5/49)	18670.37	18612.86	18598.07	19446.00 6/1	17303.65 10/1
Nikkei 300(1/10/82)	273.71	273.77	274.99	292.46 6/1	251.04 27/1
Topix(4/1/68)	1410.85	1411.63	1419.09	1480.85 6/1	1320.82 10/4
2nd Section(4/1/68)	1854.07	1855.46	1853.75	1929.21 6/1	1818.58 15/4
Malaysia					
KLSE Comp.(4/4/86)	1074.86	1089.45	1098.53	1271.57 25/2	1074.86 28/4
Mexico					
IPC(Nov 1978)	(c)	3782.82	3773.71	[illegible] 25/2	3360.45 2/1
Netherland					
CBS TRtnGen(End 83)	868.3	870.9	881.3	886.70 11/3	730.80 2/1
CBS All Shr(End 83)	508.0	509.5	515.7	519.90 11/3	428.80 2/1
New Zealand					
Cap. 40(1/7/86)	2240.22	(c)	2253.57	2440.21 20/1	2207.48 1/4
Norway					
Oslo SE(Ind)(2/1/83)	1834.40	1836.82	1853.78	1941.49 20/2	1600.03 2/1
Philippines					
Manila Comp(2/1/85)	2837.31	2872.37	2906.33	3447.60 3/2	2837.31 28/4
Portugal					
BVL 30(4/1/93)	2685.53	(c)	2671.29	2685.53 28/4	2165.57 2/1
Singapore					
SES All-S'pore(2/4/75)	493.25	492.74	494.52	573.08 17/2	493.25 28/4
South Africa					
JSE Gold(28/9/78)	(c)	1235.0♥	1230.5	1598.10 27/2	1230.50 24/4
JSE Ind.(28/9/78)	(c)	8408.0♥	8425.4	8428.82 25/2	7809.50 2/1
South Korea					
KoreaCmpEx(4/1/80)	704.16	692.49	690.80	721.09 14/2	611.05 7/1
Spain					
Madrid SE(30/12/85)	501.17	499.21	502.19	504.41 23/4	434.54 2/1
Sweden					
AffarsvarldnGen(1/2/37)	2812.5	2850.8	2876.2	2932.40 10/3	2328.59 2/1
Switzerland					
Swiss Bk Ind(31/12/58)	(c)	2284.24	2291.81	2291.81 24/4	1817.95 13/1
SBC General(1/4/87)	(c)	1584.41	1601.66	1601.66 24/4	1318.34 8/1
Taiwan					
Weighted Pr.**(30/6/66)	8660.76	8654.19	8629.23	8681.72 26/4	6844.75 6/1
Thailand					
Bangkok SET(30/4/75)	672.48	684.00	688.42	859.87 22/1	672.48 28/4
Turkey					
IMKB Nat 100(1986)	1441.5	1488.0	1457.5	1654.00 21/3	895.00 2/1
WORLD					
MS Capital Intl(1/1/70)	820.8*	820.5	827.3	854.40 25/2	784.50 14/4
CROSS-BORDER					
Eurotrack 100(29/10/90)	2192.47	2190.79	2208.94	2231.88 11/3	1893.80 2/1
Euro Top-100(26/6/90)	1870.94	1872.13	1890.81	1894.47 11/3	1592.88 2/1
HSBC JC Drgn(31/12/88)	(c)	387.30	389.50	428.46 20/1	383.78 15/4
MS Emrgs Emg(7/1/92)	(c)	173.85	174.45	181.33 26/2	158.74 3/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Apr	2550.0	2555.0	+20.0	2555.0	2534.0	25,794	26,895
May	2535.0	2540.0	+20.0	2540.5	2518.5	30	12,838
DAX							
Jun	3383.0	3384.0	+24.5	3395.0	3365.0	11,131	-
Sep	3415.0	3409.5	+21.5	3415.0	3392.0	45	5,278
OMX							
Apr	2016.00	2021.00	-15.00	2024.00	1985.00	5,308	19,825
May	2026.00	2012.00	-41.00	2028.50	2005.00	200	19,419
SOFFEX							
May	4781.0	4794.9	+25.8	4779.9	4775.0	2,477	24,388
Jun	4783.0	4779.9	-	4783.0	4773.9	19	840

- Sat Apr 26: Taiwan Weighted Price 8661.72; Korea Comp.Ex 698.75. Base values of all indices are 100 except: Australia All Ord and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 25 Industrials – 264.3; IMKB Nat 100 – 1; NYSE All Common – 50; Standard & Poor's – 10 and Amex Comp – 550. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Apr 28 - 3372.98 +15.39. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

US INDICES

Dow Jones	Apr 25	Apr 24	Apr 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Industrials	6738.87	6792.25	6812.72	7085.16 (11/3)	6391.69 (11/4)	7085.16 (11/3/97)	41.22 (8/7/32)
Home Bonds	101.38	101.44	101.54	103.83 (19/2)	101.09 (14/4)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2512.74	2547.57	2580.55	2580.55 (23/4)	2222.07 (2/1)	2580.55 (23/4/97)	13.23 (8/7/32)
Utilities	209.47	210.73	211.99	240.65 (22/1)	209.47 (25/4)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 6826.77 (6923.90) Low 6681.08 (6742.89) (Theoretical♦)
Day's high 6792.25 (6890.59) Low 6726.08 (6777.40) (Actual♦)

Standard and Poors	Apr 25	Apr 24	Apr 23	1997 High	1997 Low	Since compilation High	Since compilation Low
Composite‡	765.37	771.18	773.64	816.29 (18/2)	737.01 (2/1)	816.29 (18/2/97)	4.40 (1/6/32)
Industrials♥	902.73	910.53	913.22	950.96 (18/2)	865.42 (11/4)	950.96 (18/2/97)	3.52 (30/6/32)
Financial	84.86	85.12	85.95	97.25 (10/3)	80.75 (2/1)	97.25 (10/3/97)	7.13 (4/9/74)
NYSE Comp.	400.38	403.82	404.71	427.75 (10/3)	389.47 (11/4)	427.70 (10/3/97)	4.64 (25/4/42)
Amex Comp.	542.83	543.95	548.36	603.85 (10/3)	542.83 (25/4)	617.81 (22/5/96)	524.20 (16/7/96)
NASDAQ Cmp	1209.29	1228.10	1227.14	1388.06 (22/1)	1201.00 (2/4)	1388.06 (22/1/97)	54.87 (3/10/74)

■ RATIOS

	Apr 25	Apr 18	Apr 11	Year ago
Dow Jones Ind. Div. Yield	1.82	1.82	1.94	2.17
	Apr 23	Apr 16	Apr 9	Year ago
S & P Ind. Div. yield	1.80	1.82	1.88	1.87
S & P Ind. P/E ratio	22.19	21.85	21.72	21.43

■ NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Elec Data	26,823,400	32¼	-6⅝
Philip Mors	14,042,900	39¼	-2¼
Hertz	7,654,800	27⅝	+3⅝
RJR Nabisco	5,500,300	29	-2⅝
AT & T	5,465,700	31⅛	+⅝
Pepsico	4,437,000	32	-1⅜
Phrm Upjohn	3,983,000	29⅝	-¾
Adv Micro	3,483,600	40⅛	+⅛
Storage Tch	3,448,800	34⅛	-4⅛
Westinghse	3,017,600	17¼	-⅜

■ TRADING ACTIVITY

● Volume (million)

	Apr 25	Apr 24	Apr 23
New York SE	418.541	489.529	493.469
Amex	18.988	21.825	23.716
NASDAQ	512.174	599.551	593.984
NYSE			
Issues Traded	3,305	3,308	3,325
Rises	796	1,153	1,143
Falls	1,665	1,253	1,338
Unchanged	844	902	844
New Highs	26	59	54
New Lows	70	66	60

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
S&P 500							
Jun	768.70	769.20	+0.30	769.85	767.80	65,016	178,367
Sep	776.50	775.90	-0.80	776.90	775.90	395	5,972

	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Nikkei 225							
Jun	18660.0	18650.0	+20.0	18880.0	18530.0	11,659	225,947
Sep	18720.0	18620.0	-80.0	18720.0	18610.0	66	4,755

Open interest figures for previous day.

■ TOKYO - MOST ACTIVE STOCKS: Monday, April 28, 1997

	Stocks Traded	Closing Prices	Change on day
Nippon Credit Bk	8.8m	222	-14
Taisei Corp	6.9m	463	+32
Nippon Steel Cp	6.2m	362	+3
Shiseido	4.7m	1760	+90
Isuzu Motors	4.4m	473	-6
Mitsubishi Est	4.1m	1610	+10
Yamaichi Secs	3.6m	318	-25
Nomura Secs	3.0m	1370	-20
Fuji Heavy Ind	3.0m	820	-5
Mitsubishi Hvy	2.8m	845	-5

Dow ahead on earnings optimism

AMERICAS

US stock prices rallied in morning trade, apparently buoyed by the string of positive first quarter earnings reports released last week, *writes Tracy Corrigan*.

Against a flat bond market, the Dow Jones Industrial Average gained 30.11 to 6,768.98 by midsession, with price rises spread across the spectrum of companies and sectors.

"Despite its volatility last week, the market was basically flat," noted Ms Abby Cohen, chief investment strategist at Goldman Sachs. Yet there had been "wonderful corporate reports. We have had many more positive surprises than negative".

As the first quarter earnings season wound up, the market benefited from another earnings surprise. Atlantic Richfield rose $2½ to $136⅛ after the company's first quarter earnings per share significantly outstripped analysts' forecasts. The company reported earnings per share of $2.95, compared with estimates of $2.68.

Technology shares were strong, in spite of news that Intel and Dell were cutting their prices, as analysts said that price cuts were usual and prices in the sector were generally holding up well. Intel rose $2⅞ to $146½ and Dell gained $2½ to $80¼.

Shares in Boeing and McDonnell Douglas, the two large aerospace companies due to merge, fell after Boeing undershot analysts' first quarter earnings estimates. Boeing dropped $5½ to $96½ and McDonnell Douglas fell $2¾ to $57¾.

Boeing said that competition for new orders "remains intense" and warned that its operating margin for the rest of 1997 was likely to be somewhat lower than in the first quarter.

Trading in McDermott International failed to resume trade after the energy services issued a profits warnings. The company and its J Ray McDermott unit were expected to show results "significantly below" last year's levels. The company said that it expected to show a loss of $180m-$200m in its fourth quarter.

TORONTO stayed on the downside throughout the morning session in spite of the solid upturn on Wall Street. Banks were dull and golds racked up some fairly stiff losses. At noon, the TSE-300 composite index was off 2.01 at 5,834.00.

Among leaders, Hudson's Bay jumped C$1.10 to C$27.60 following news of management changes. Alcan Aluminium put on 35 cents to C$46.10 while Seagram rose 65 cents to C$52.75.

Barrick Gold shed 30 cents to C$30.50 and Placer Dome retreated 15 cents to C$22.10.

Mexico City edges down

MEXICO CITY traded quietly ahead of Thursday's public holiday. Dealers said there was limited action, with all eyes of the foreign exchanges where the peso showed signs of softening. At midsession, the IPC index was off 11.09 at 3,771.53.

Empresas turned in steeply lower first quarter results although earnings were still at the top end of broker expectations and the construction group was able to point to a strong upturn in gross margins. The shares gained 75 centavos to 118 pesos.

BUENOS AIRES ran into modest profit-taking after last week's steady gains. Brokers said little business was transacted. "Its all to do with Friday's US jobs data. Everybody is hugging the sidelines," said one trader.

At midsession, the Merval index was 0.39 higher at 715.87.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change sterling †	% change in US $ †
	1 Week	4 Weeks	1 Year	Start of 1997	Start of 1997	Start of 1997
Austria	+1.32	+0.29	+9.19	+7.24	+1.03	-4.17
Belgium	+1.30	+2.58	+29.70	+16.78	+10.00	+4.34
Denmark	+2.01	+1.00	+36.63	+14.02	+8.04	+2.48
Finland	+2.04	+1.63	+49.36	+15.47	+8.29	+2.72
France	-0.43	-4.01	+20.70	+9.84	+3.44	-1.88
Germany	+0.66	-1.62	+31.68	+18.40	+9.73	+4.08
Ireland	-0.66	+1.67	+21.17	+9.79	+5.81	+0.36
Italy	-0.56	+3.41	+14.35	+16.65	+8.93	+3.33
Netherlands	+1.29	+1.34	+36.77	+15.51	+8.70	+3.11
Norway	+0.43	+1.06	+26.46	+10.81	+5.62	+0.18
Spain	+1.67	+4.51	+43.59	+13.50	+7.10	+1.60
Sweden	-1.31	-5.13	+37.27	+10.77	+2.40	-2.87
Switzerland	+1.46	+2.17	+28.32	+20.56	+16.30	+10.32
UK	+1.14	+0.83	+12.02	+5.01	+5.01	-0.40
EUROPE	+0.77	+0.09	+22.54	+11.11	+7.09	+1.58
Australia	+1.46	+2.66	+8.52	+3.36	+6.52	+1.04
Hong Kong	+0.71	-0.05	+8.03	-9.98	-5.25	-10.12
Indonesia	+1.99	+0.16	n.a.	+3.73	+6.06	+0.60
Japan	+1.79	+2.73	-15.77	-3.35	-6.20	-11.03
Malaysia	-2.05	-12.59	-5.69	-11.79	-6.42	-11.24
New Zealand	-0.27	+0.63	+2.42	-5.41	-2.11	-7.16
Philippines	-3.23	-11.19	n.a.	-14.55	-10.16	-14.78
Singapore	-2.80	-4.94	-12.02	-8.78	-8.76	-11.55
Thailand	-3.77	-0.83	-53.82	-15.42	-12.31	-16.83
Canada	+0.38	-0.80	+16.59	-0.91	+2.50	-2.77
USA	-0.40	-1.52	+16.16	+2.54	+8.11	+2.54
Brazil	+2.99	+3.14	+65.86	+31.28	+35.30	+28.35
Mexico	-0.02	-0.83	+12.82	+11.98	+17.48	+11.78
South Africa	+0.38	-0.25	-1.59	+6.73	+18.23	+12.15
WORLD INDEX	+0.34	-0.41	+9.60	+3.27	+4.81	-0.58

† Based on April 25th 1997.

Frankfurt enlivened by Hoechst upgrade

EUROPE

Wall Street rebounded before the European close hut the move came too late to affect the broad tenor of the day. Most hourses experienced very low activity ahead of the May Day break and Friday's key US employment data.

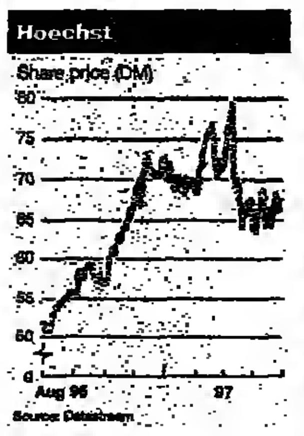
FRANKFURT improved in dull volume with the Dax hardening 15.39 to an Ibis-indicated 3,372.96, helped by high jinks at Hoechst following an upgrade at Merrill Lynch.

Shares in the chemicals leader, a dull market in recent weeks, bounced DM1.20 or 1.8 per cent to DM67.40 after the US broker moved from "neutral" to "accumulate".

Merrill's long-term rating remained at buy. It has upgraded its intermediate stance as a result of Hoechst broadening business mix and the gronp'e greater focus on life sciences.

Other brighter spots included Henkel, np DM2 or 2.2 per cent at DM94 on solid first quarter sales, and SAP, which continued to benefit from last week's upbeat results and added DM2.50 at DM311.50.

The broad upturn for airline stocks washed over on to Lufthansa, which put on 30 pfg to DM23.85. BHW, the construction finance group, made a strong debut, rising to DM27.70, against a flotation price of DM26.



AMSTERDAM absorbed another bad day for Akzo Nobel to trade modestly higher in low volume. The AEX index closed 2.86 better at 749.76.

Akzo continued to suffer from Friday's disappointing results, which took traders hy surprise and led to instant earnings downgrades. The shares fell Fl 9.50 to Fl 252.50 for a two-day decline of more than 7 per cent.

Bolswessanen, up 70 cents or 1.9 per cent at Fl 38.80, was well dealt at 750,000 shares. KLM pnt on 70 cents to Fl 56.20 after management changes at Northwest Airline of the US led to hopes for a broadening of the KLM-Northwest partnership.

PARIS traded narrowly, oscillating within a range of less than 20 points in sub-average voluma of 5.2m shares. The CAC 40 index ended 13.99 higher at 2,550.25.

The latest opinion polls supplied a steadying influence, pointing to a comfortable majority for the ruling centre-right coalition in the forthcoming elections. But dealers said investor interest remained low.

Retailers were a feature. Casino jumped FFr8.00 or 3.1 per cent to FFr265.50 after a renewed upsurge of takeover speculation. Promodes, long seen as the prime suitor, added FFr30.00 to FFr1,896. Carrefour gained FFr65.00 to FFr3,474.

Among insurers, GAN fell FFr2.40 to FFr151 ahead of today's results statement.

ZURICH put in a firm performance after Friday's pull-back although activity was muted as investors awaited this week's US economic data. The SMI index added 21.0 to 4,793.3.

UBS outperformed in active trade, making up for its recent dull showing. The shares added SFr12 at SFr1,353.

Nestlé also had a good day, rising SFr17 to SFr1,771, in response to a firming dollar.

FTSE Actuaries Share Indices

THE EUROPEAN SERIES

Apr 28 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FTSE Eurotrack 100	2185.32	2195.03	2194.74	2194.84	2194.13	2193.14	2192.78	2192.47
FTSE Eurotrack 200	2233.03	2232.42	2232.94	2233.36	2233.49	2231.94	2232.05	2231.19

	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21
FTSE Eurotrack 100	2196.79	2208.94	2201.74	2184.58	2185.17
FTSE Eurotrack 200	2233.11	2241.89	2234.85	2219.55	2212.87

Base value 1000 (26/10/90). High/day: 100 - 2195.82 200 - 2235.15 Low/day: 100 - 2181.40 200 - 2229.47 † Partial

Swiss Re, sharply higher last week, gave up SFr6 to SFr1,650; after the market closed, the company confirmed last week's speculation that it planned to set up a new division for its Alternative Risk Transfer Market activities.

Registered shares of SMH, tha watchmaker, jumped SFr2 to SFr192.50 after the chief executive said ba expected an increase in 1997 sales and profits.

STOCKHOLM saw a sharp early fall in Ericsson, mirroring a tumble in New York on Friday after a 30 per cent rise in first quarter pre-tax profits failed to live up to top of the range estimates. The shares dropped 7.2 per cent in early local trade before recovering to close SKr12 weaker on the day at SKr237.50.

Pharmacia & Upjohn also remained under pressure, losing SKr13.50 to SKr218.50 and extending its losses to more than 20 per cent since the company issned its profits warning last week.

The general index lost 34.85 or 1.3 per cent to 2,577.88.

HELSINKI was weak as investors sold off Nokia in the wake of Ericsson's losses and anxiously awaited Nokia's first quarter profits statemant, due at noon today.

The Hex general index fell 18.89 to 2,858.90 as Nokia A shares ended FM5.50 lower at FM301.

MILAN was weak as hopes faded of an early cut in domestic interest rates and as the market mulled over the outcome of the first round municipal elections at the weekend. The Comit index lost 6.57 to 758.41.

Fiat slid L70 to L5,359 as Friday's first quarter results failed to live up to some expectations.

MADRID picked np on renewed demand for selected stocks and the general index finished 1.96 higher at 501.17.

Repsol sank Pta70 to Pta6,010 in the wake of its privatisation offer and as investors awaited details of the final offer price which was due to be set after Wall Street closed.

ISTANBUL lost 1.7 per cent in thin trade on persistent concerns over the outlook for the Islamist-led government in spite of comments by Mrs Tansu Çiller, the deputy prime minister, who expressed confidence that the coalition would survive. The IMKB National-100 index, sharply lower last week, fell 25 to 1,441.

WARSAW was lower for a third straight session with Friday's decision by the central bank to increase mandatory reserves on zloty term deposits adding to the market's woes. Analysts said the decision could hurt the overall market as well as the banks, which made up 40 per cent of the main market's capitalisation. The Wig indax fell 353.5 or 2.1 per cent to 16,316.6.

The day's hlggest loser, Espebepe, fell nearly 10 per cent for the third straight session to 4.65 zlotys after last Thursday's news that the largest creditor of the deht-ridden huilder was opposed to the deht restructuring that the group had proposed.

Written and edited by Michael Morgan and Jeffrey Brown

Rumours send Singapore to 42-month low

ASIA PACIFIC

Rumours that more had news was in store sent **SINGAPORE** tumbling to a 42-month low. Talk that the government would impose further curhs on public housing sent the property index down 2.4 per cent, and contributed to a 22.81 or 1.1 per cent fall in the Straits Times industrials index to 1,996.79.

City Developments led the falls in active trade with a 70 cent drop to S$12.

UOB Foreign also shed 70 cents to hit a six-month low at S$13.40 with some foreign funds said to be sellers.

TOKYO finished slightly higher hut in slow trade that traditionally marks the beginning of Japan's "Golden Week" annual holiday, when many domestic investors take a break, *writes Gwen Robinson*.

The Nikkei 225 average gained 57.51 to 18,670.37 after moving hetween 18,545.05 and 18,684.07. Foreign investors bought actively in the morning, but with many domestic investors ahsent prices lost momentum in the afternoon. The market is closed today and next Monday.

Markets in Johannesburg were closed yesterday for a pnblic holiday.

The dollar's renewed strength against the yen following Sunday's G-7 finance ministers' meeting in Washington failed to hoost hlue-chip exporters, and leading issues moved sluggishly.

Volume declined sharply from Friday's 413m shares to an estimated 257m. Declines led advances 577 to 496 with 175 unchanged. Other key indices declined. The Topix index of all first-section stocks shed 0.78 to 1,410.85 and the capital-weighted Nikkei 300 was off 0.06 at 273.71. In London, the ISE/Nikkei-50 index rose 2.82 to 1,512.88.

Property issues and securities houses were among the losing sectors, after chalking up strong gains in recent sessions. Daiwa Securities fell Y27 to Y818, Yamaichi Securities Y25 to Y318 and Nomura Securities Y20 to Y1,370. Mitsui Fudosan, a leading realtor, shed Y10 to Y1,460.

Investors focused on the shares of companies which had recently announced stock buy-backs – a relatively recent practice in Japan. They included Taisei, a leading general contractor, which added Y32 to Y463 on Friday's announcement that it would buy back up to 55m of its own shares for up to Y25bn. Toagosei, which unveiled a buy-back earlier this year, added Y11 to Y466 and Denso, which announced a similar plan last year, gained Y50 to Y2,760.

After trading closed, Mitsubishi Chemical announced a Y40bn share buy-back of up to 100m of its stock. The issue ended the day unchanged at Y407.

In Osaka, the OSE average shed just 2.07 to 19,800.76 and volume eased to 27.8m shares.

KUALA LUMPUR fell 1.3 per cent to an eight-month low with heavy selling of United Engineers contributing to the slide.

United Engineers dropped 90 cents to M$17.80 on continued worries that it would be used by the Renong group to buy into the loss-making National Steel Corp of the Philippines. Renong fell 20 cents to M$3.32.

At the close, the composite index was down 14.59 at 1,074.86.

OHAKA added to Sunday's 5.4 per cent tumhle with a fall of another 6.3 per cent amid demonstrations hy traders in the kerb market outside tbe hourse. The index lost 60.32 to 899.38 as the anthorities called in police after kerb market traders, still angry over the continuing fall in share prices, attempted to block the bourse's main entrance.

HONG KONG fell prey to profit-taking in red chips and caution ahead of this week's heavy calendar of US economic data. The Hang Seng index closed down 35.59 at 12,610.17 in turnover of HK$13.9bn.

Brokers said late selling of China plays was prompted by concerns that Beijing might be worried about speculation in the red-chip sector.

SEOUL received a boost from expectations of an inflow of Won500bn-Won600hn of international funds after Friday's expansion of the foreign stock ownership ceiling and the composite index finished 4.40 higher at 704.16, compared with the day's hest of 707.42.

Three Jinro affiliates went limit up on rumours that a committee of domestic financial institutions had decided to extend Won100bn in emergency loans.

Jinro added Won580 to Won7,890 while Jinro Industries and Jinro General Foods rose Won330 and Won320 to Won4,540 and Won4,320 respectively.

SYDNEY saw a scramble for shares in NAB but closed with the All Ordinaries index down 13.0 at 2,461.7.

NAB stood out in an otherwise dull hanking sector, adding 11 cents to a peak A$17.18 in volume of 27m shares. Dealers cited the shares' yield attractions plus talk of an imminent fund management acquisition by the bank.

News Corp fell steeply after rumours of release delays for the film *Titanic* swept through the market. The shares fell 18 cents to A$5.87.

MANILA continued to move lower, with the composite index closing off 35.06 or 1.2 per cent at 2,837.31. A lack of positive incentives and weak first quarter results from PLDT was said to have depressed market leaders.

BANGKOK had another negative session to extend its losing streak to eight days. The SET index dropped 11.52 or 1.68 per cent to a new low for the year of 672.48. Turnover stayed thin at Bt2.5bn. Bangkok Bank of Commerce was a feature, jumping 60 cents to Bt6.80 on news of agraed takeover terms from the Finance Corporation of Thailand.

JAKARTA moved higher as the May 29 general election campaign got under way. The composite index rose 4.05 or 0.6 per cent to 656.53. Turnover improved to Rp762bn.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	FRIDAY APRIL 25 1997								THURSDAY APRIL 24 1997					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (76)	224.21	0.1	204.80	178.69	200.90	192.06	0.0	3.96	223.99	204.19	178.56	198.94	192.06	225.77	188.44	208.52
Austria (24)	131.99	-0.9	166.23	145.04	163.07	163.01	-0.5	1.93	183.81	167.39	146.37	163.90	163.84	195.04	174.70	187.88
Belgium (28)	237.57	-1.2	217.00	189.33	212.87	208.29	-0.9	3.43	240.39	219.15	191.64	214.58	210.12	241.54	205.89	207.13
Brazil (30)	243.44	0.2	222.36	194.01	218.13	476.24	0.2	1.40	242.98	221.52	193.71	216.91	475.32	247.23	157.11	157.36
Canada (114)	184.58	-1.0	168.60	147.10	165.39	188.72	-0.7	2.09	186.43	169.96	148.62	166.42	187.98	203.31	154.12	162.05
Denmark (32)	360.70	-0.4	329.47	287.46	323.19	321.97	0.0	1.57	362.03	330.04	288.61	323.17	321.97	376.98	291.89	293.84
Finland (28)	252.33	-0.8	230.48	201.10	226.09	274.35	-0.3	1.66	254.32	231.85	202.74	227.02	275.06	288.56	180.89	180.89
France (91)	210.04	-0.5	191.85	167.39	188.20	191.75	-0.1	2.97	211.12	192.46	168.30	188.45	181.88	228.25	186.84	198.07
Germany (59)	197.75	-1.0	180.63	157.60	177.19	177.19	-0.6	1.59	199.66	182.02	159.17	178.22	178.22	207.66	164.47	169.22
Hong Kong (66)	455.73	-0.7	416.27	363.20	408.35	453.30	-0.7	3.31	458.78	418.22	365.72	409.51	456.31	514.49	407.55	422.52
Indonesia (27)	229.56	-0.7	209.69	182.95	205.69	343.08	-0.8	1.59	231.28	210.84	184.37	206.45	344.98	–	–	–
Ireland (16)	330.04	-0.4	301.47	263.03	295.72	300.56	-0.2	3.17	331.30	302.03	264.11	295.73	301.05	343.35	270.08	274.50
Italy (59)	86.27	-0.6	78.80	68.76	77.30	110.60	0.0	2.24	86.75	79.09	69.18	77.44	110.80	96.32	73.26	82.92
Japan (485)	114.84	-0.5	104.90	91.53	102.90	91.53	-0.8	0.86	115.44	105.24	92.03	103.05	92.03	164.68	107.57	191.40
Malaysia (107)	535.44	-0.7	489.08	426.73	479.77	517.54	-0.5	1.24	539.43	491.77	430.03	481.52	520.57	660.85	512.47	568.93
Mexico (27)	1363.47	-0.1	1245.41	1086.64	1221.70	11756.74	0.4	1.17	1365.06	1244.44	1088.20	1218.51	11714.48	1445.68	1110.35	1292.92
Netherland (19)	346.80	-1.5	318.59	276.23	310.56	308.56	-1.2	2.55	351.96	320.86	280.57	314.17	310.29	357.18	278.89	286.84
New Zealand (14)	85.20	0.2	77.83	67.80	76.34	65.24	0.0	4.35	85.03	77.52	67.79	75.90	65.24	95.80	75.94	81.91
Norway (41)	296.08	-0.9	270.45	235.97	265.30	293.85	-1.0	2.15	298.78	272.39	238.18	266.70	286.84	321.23	243.72	251.81
Philippines (22)	173.54	-1.4	158.51	138.30	155.49	228.06	-1.4	0.81	175.93	160.38	140.25	157.04	231.20	–	–	–
Singapore (43)	371.30	-0.2	339.18	295.94	332.72	246.93	-0.3	1.15	372.14	339.26	296.87	332.19	247.66	448.01	371.28	432.41
South Africa (44)	357.11	-0.4	326.19	284.60	319.97	347.45	-0.2	2.43	358.60	326.92	285.67	320.11	348.26	370.89	301.49	364.88
Spain (35)	223.31	-1.0	203.97	177.97	200.09	245.63	-0.7	2.68	225.58	205.65	179.63	201.37	247.80	228.18	171.91	178.19
Sweden (49)	409.78	-2.7	374.30	326.58	367.17	472.41	-1.2	2.21	421.12	383.91	335.71	375.91	477.97	448.64	334.35	342.25
Switzerland (36)	263.17	-1.6	240.38	209.73	235.90	239.44	-1.2	1.37	267.32	243.70	213.11	238.82	242.40	267.32	229.36	243.41
Thailand (43)	79.68	-1.6	72.78	63.50	71.39	80.63	-1.6	3.87	80.99	73.84	64.57	72.30	81.96	184.18	73.88	177.82
United Kingdom (211)	282.05	-0.6	257.63	224.79	252.72	257.63	-0.5	3.81	283.86	258.78	226.29	253.39	258.78	286.30	228.65	234.48
USA (653)	309.52	-0.9	282.72	246.68	277.34	309.52	-0.9	1.86	312.33	284.73	248.99	278.80	312.33	331.54	254.79	266.45
Americas (824)	283.41	-0.9	258.87	225.87	253.94	238.75	-0.9	1.95	285.94	260.67	227.94	255.24	240.83	303.45	233.09	243.55
Europe (726)	243.45	-1.0	222.37	194.02	218.13	227.18	-0.6	2.78	245.80	224.08	195.95	219.41	228.53	248.97	204.71	209.64
Nordic (150)	359.41	-1.9	328.29	286.44	322.04	356.83	-0.8	2.02	366.21	333.85	291.94	326.90	359.95	385.85	291.45	293.61
Pacific Basin (883)	133.62	-0.5	122.05	106.49	119.73	104.83	-0.5	1.39	134.29	122.43	107.06	119.88	105.38	177.01	127.18	173.91
Euro-Pacific (1609)	179.41	-0.8	163.88	142.98	160.75	151.03	-0.6	2.17	180.78	164.80	144.11	161.37	151.88	191.51	173.55	188.89
North America (767)	301.87	-0.9	275.73	240.58	270.48	301.41	-0.9	1.96	304.62	277.70	242.84	271.92	304.11	323.69	248.65	259.97
Europe Ex. UK (515)	217.49	-1.1	198.66	173.33	194.86	205.73	-0.7	2.18	219.99	200.55	175.38	196.37	207.13	224.70	185.65	197.04
Pacific Ex. Japan (398)	292.01	-0.4	266.73	232.72	261.65	254.40	-0.4	2.90	293.29	267.38	233.81	261.81	255.54	320.65	268.97	291.67
World Ex. US (1824)	182.77	-0.7	166.95	145.66	163.77	156.85	-0.5	2.15	184.14	167.87	146.79	164.37	157.71	193.47	178.94	189.77
World Ex. UK (2266)	217.43	-0.8	198.60	173.28	194.82	194.64	-0.7	1.88	219.26	199.89	174.78	195.72	198.26	228.59	199.58	217.06
World Ex. Japan (1992)	278.23	-0.9	254.14	221.74	249.30	269.50	-0.7	2.29	280.67	255.87	223.75	250.54	271.53	292.72	233.10	242.31
The World Index (2477)	222.91	-0.8	203.61	177.65	199.73	200.51	-0.7	2.06	224.75	204.89	179.16	200.62	201.93	233.38	202.32	213.18

 Latest prices were unavailable for this edition. Markets closed 25/4/97: Australia, Denmark, Italy and New Zealand.

4 pm close April 28

NYSE PRICES

1997 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
39¼	34⅜	SFePPipe x	3.00	8.7	9	172	35	34¾	34¾	-1¼
49¼	36⅝	SaraLee	0.84	2.0	20	4072	41¼	40¼	41	+½
58¼	49⅞	SBC Cm x	1.79	3.4	14	11801	53¼	52	53⅛	+1
26⅞	23⅝	Scana Corp	1.51	6.3	12	1103	24¼	d23⅞	24⅛	+½
0	7⅝	SchawkA	0.26	3.2	31	18	8⅛	8⅛	8⅛	
82	44½	ScheringP			21	718	45¾	45⅛	45¾	+⅛
82	63½	SchePl	1.52	1.9	22	3031	78¼	78⅛	78¼	+1⅜
116⅞	88	Schlmb	1.50	1.4	20	10375	110⅞	108⅞	109⅝	-⅛
12⅞	8⅝	Schlr	0.12	1.3		1080	9¾	9⅞	9½	+⅛
42	30¾	SchwabC	0.20	0.6	23	7728	33⅞	30¾	32⅞	+1¾
35⅝	29⅞	SchwMaud	0.60	1.9	12	430	32¼	32	32⅛	+¼
19⅞	14¼	SciAtl	0.06	0.4	45	1458	15	14¾	14⅞	-¼
29⅞	21	Scotsman	0.18	0.4	13	47	25⅞	25¼x	21⅛	-¼
13¾	12⅛	ScuddrNAsF	0.02	0.2		38	12½	d12⅛	12½	
15⅞	13⅝	ScuddrNEuF	0.06	0.4		57	14⅞	14¾	14⅞	
18¾	15⅛	SeaCtaA	0.77	4.7	13	83	16¼	16⅛	16¼	
16⅞	15⅞	SeaC1.4625	1.46	9.4		z0	15⅝	15⅝	15⅛	
56¼	37⅞	S'gate			14	20050	44⅞	42⅛	43⅛	+¼
42¼	36¾	Seagrm	0.66	1.8		1506	37⅝	37⅛	37⅜	
24⅛	15¾	Seagull En			20	d72	16½	15⅞	16⅞	
48	39¾	Sealed Air			21	226	45	44⅞	44⅝	+¾
56¾	44⅝	SearsR	0.92	2.0	14	11980	41	46	46½	-⅛
25	21	ScCpSBI	1.30	5.7	15	200	22⅞	22½	22⅝	-¼
12⅞	12¼	Seligm Sel x	0.84	8.8		94	12½	12⅜	12⅜	
18	14½	Sensormat	0.22	1.5		1639	15½	14⅞	15	-⅜
46⅞	38¼	SequaA	0.60	1.3	49	85	46¾	46⅜	46⅝	+½
49⅛	47½	SequaB	0.50	1.1	50	z0	47½	d47½	47½	
34	26⅞	SrvCp x	0.30	0.9	24	5847	33	32¾	32½	-½
39¾	24⅝	SvMstr x	0.68	2.3	17	829	29⅞	29⅛	29¾	
4½	2⅜	ServMerch	0.02	0.8		994	3	d2¾	2⅞	

13⅞ 9⅛ Zweig — 542 10¼ 10⅝ 10¼ +⅛
27⅞ 25 Zenith Nat x 1.00 4.0 11 16 23 d24⅞ 24⅞ -⅛
7½ 7⅛ Zenix Inc x 0.72 10.3 241 7¼ d7⅛ 7⅛ -⅛
23¾ 17¾ Zeus 0.12 0.8 14 143 18½ 18⅛ 18½ +⅛
11½ 10¾ ZweigFd x 1.10 10.3 459 11¼ 11⅛ 11¼ --
8⅞ 8 Zweig Tot 0.84 9.9 385 d8⅞ 8½ 8⅛ -⅛

Price data supplied by Extel, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1997. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.
d-new yearly low. P/E price-earnings ratio. xx-sales. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
Dealings suspended.

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AMEX PRICES

4 pm close April 28

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Bio-Rad A		18	236	24⅛	23⅝	24	-¼
Bowmar	3.00	11	13	1⅞	1 13/16	1⅞	+1/16
Bowne	6.36	8	57	22¾	25½	25½	+¼
Brascan A	1.04	25	43	21⅛	21⅛	21⅛	+⅛
Cambrex	0.20	16	225	34	33⅞	33½	-⅛
CnFdCsA	0.01		77	4 3/16	4⅛	4⅛	-1/16
Comincoé		18	424	25¾	25½	25½	+¼
CopTch			86	9⅞	8⅝	8⅝	+⅛
Computrac			8	1¼	1¼	1¼	-⅛
Frequency x	0.80	16	122	9 13/16	9⅝	9 13/16	+1/16
Garan	0.80	13	z0	18¼	18¼	18¼	
GetchelGS			690	37	36¼	36⅞	-⅛
Giant FdA	0.78	22	1362	33	32½	32½	-¼
GlobStr x	0.70	11	674	15⅞	15⅝	15¾	
GoldField			62	u⅞	d¼	¼	
HanDir			140	11/16	d⅝	⅛	-1/16
Mecoman		23	57	43⅝	43¼	43⅛	
Media A	0.52	12	339	29¼	29	29⅛	-⅛
Microvedla			7432	9⅝	8¼	8⅝	-½
MiteLd			20	u8¾	8¾	8¾	+⅛
Moog A		15	38	21⅞	21½	21⅞	+⅛
MSR Expl			153	u1⅛	1	1⅛	+1/16
NalPatDev		3	107	6	5 15/16	6	
UnFoodsA		19	20	1 3/16	1 3/16	1 3/16	
UnFoodsB		19	z0	1 3/16	d1 3/16	1 5/16	
US Cellul		14	60	24	23⅞	24	+¼
ViacomA		85	1174	20	25⅞	25½	-¼
ViacomB		84	8649	26¼	25⅞	25⅞	-⅛
WRET	1.12	19	20	12¾	12¾	12¾	-⅛
Xytronix			211	1⅛	d1	1	-⅛

4 pm close April 28

NASDAQ NATIONAL MARKET

- K -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
K Swiss	0.08	300	80	d13	12	12	-¼
Kaman Cp	0.44	22	1013	12½	12¼	12⅜	+⅛
Kelly Sv	0.84	12	755	25¾	24	24 15/16	+15/16
Kimball	1.04	12	216	35½	d35	35	-¼
KLA Instr		22	12249	44	40	42½	+1
Koll A			93	⅛	d⅛	⅛	
Komag		18	3716	27¼	25½	26⅞	+⅞
Kulicke S			3749	27¾	25⅝	27¼	

- R -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Rainbow		11	109	14½	14¼	14¼	+⅛
Rallys			287	3 1/16	2 15/16	6	-1/32
Raymond	0.25	15	850	u30⅞	29¾	30	+⅛
RCSB Fin x	0.80	10	968	29⅞	29⅜	29⅞	+½
Read-Rite			17768	26¾	25	26¾	+⅛

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		33	28488	48½	46	47½	+1½
Xircom		12	5049	8 15/16	8⅜	8⅝	-⅛
Xoma Corp			3890	4⅜	4 5/16	4¼	+3/16
Yellow			1080	19¾	18¾	19⅛	-¼
York Rsch		15	446	7¾	7¼	7⅞	+⅛
ZionsUtah x	1.76	17	724	122	113½	120	+6½

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Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$7.5		380	8.25	7.5	Esprit Telecom ADS	US$8.375	-0.875	6	12.25	8.375
Artwork Systems	US$10.5		10575	11	9.5	Innogenetics	US$11.875		41356	12.75	10.375
Chemunex	FFr18		33000	18	16	Mercer Internatl.	US$8.375xd		8	11.75	8.375
Dr Solomon's ADS	US$23.875	-0.375	6	26.5	16.875	PixTech	US$4.25		8	6.125	4.25

Prices for 28/4/97. Please note that mid prices are now used to calculate highs and lows.

Information about EASDAQ can be found on the Web site at: HTTP://WWW.EASDAQ.be
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AIR TRANSPORT • by David White

Passenger traffic soars

Palma's Son Sant Joan airport ranks as Europe's leading centre for charter flights

The man who earned the nickname "Pepe Aviones" [Joe Planes] got to Palma de Mallorca by the long route.

The first adventure of Juan José Hidalgo, the eldest in a family of nine children from the rural Salamanca regioo of western Spain, was to emigrate to Switzerland. He worked there as a cowherd, a bricklayer and a painter. After five years, he had saved enough money to buy a Mercedes car. And from then on he was in the travel business.

He used the car to carry other migrant workers from Salamanca, then a bus, then a small fleet of buses, branching out to France, Holland, Germany and Portugal.

Expansion brought his first encounter with restrictive practices. He was trespassing on other bus companies' routes in Spain. And so, after five years he dropped the buses and started chartering aircraft instead, from Aviaco, the sister company of Spain's state-owned flag-carrier Iberia.

But in the 1980s, Aviaco withdrew from the charter business to concentrate on domestic scheduled services. Mr Hidalgo turned to a series of other charter companies, but they collapsed one by one. So he bought his own.

Air Europe, liquidated after the collapse of its UK parent International Leisure Group in 1991, became Air Europa.

"It arrived at a good time," says Mr Hidalgo, now 55, at the modern Palma headquarters of what has become a $1bn-a-year group.

The terminal is the centrepiece of a Pta40bn remodelling plan

Air Europa is the biggest of the private airlines which have taken advantage of deregulation in Spain. It has been running regular flights since 1993, first domestic, then international. Scheduled services are now beginning to overtake its charter business.

Mr Hidalgo says he runs his airline with less than a third of the number of staff per aircraft employed by Iberia, his big rival.

The trick has been to do without a separate sales network. Instead, bookings are made at Mr Hidalgo's travel agency Halcón Viajes, now with about 500 branches.

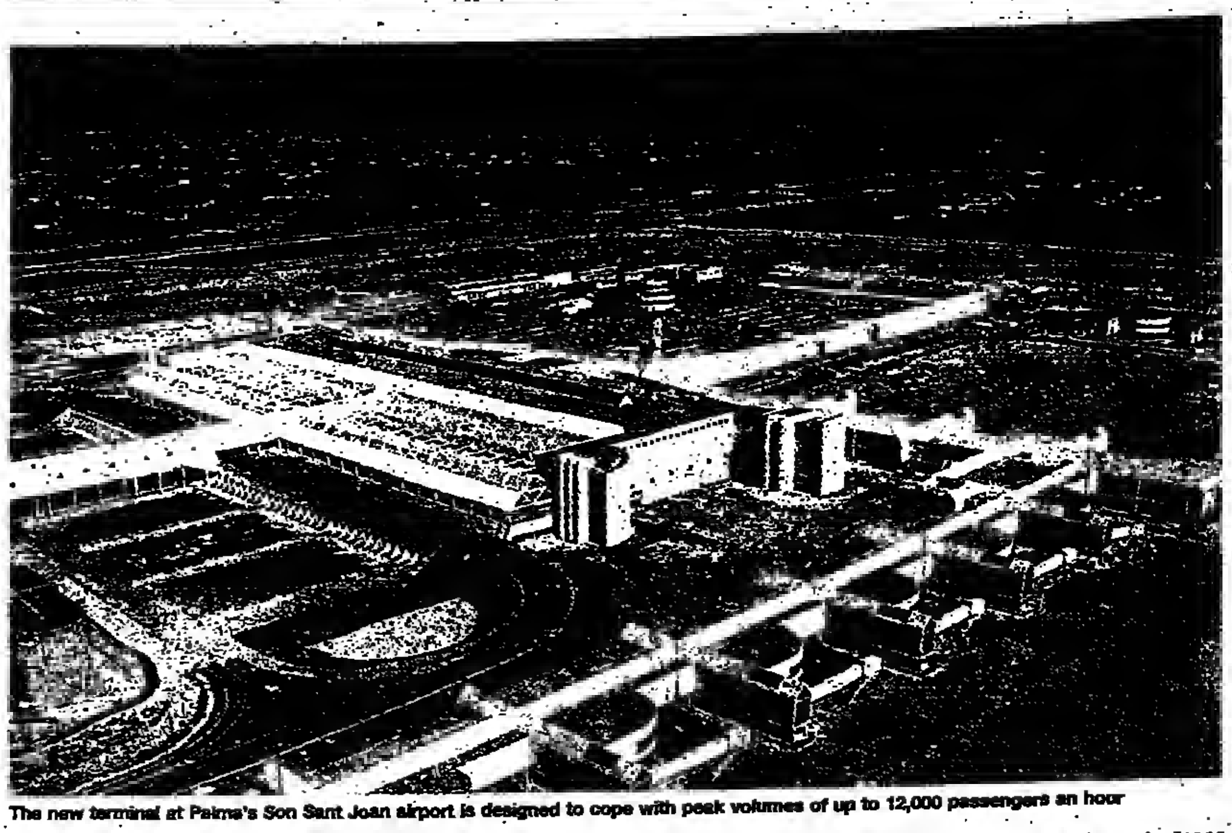
Discussions with two other big Majorca-based groups, Barceló and Sol Meliá on a shareholding in Air Europa could create a more powerful tourism grouping: two large botel chains, two leading agencies, tour operators and the airline.

Palma has become the base for both of Spain's biggest surviving private-sector jet airlines – the other being Spanair which began operating in 1988 as a joint venture between the Spanish Viajes Marsans travel group, with a 51 per cent majority, and SAS. Spanair's fleet has grown from one aircraft to 21, on domestic and international charters and regular services between airports in Spain and the Balearic and Canary Islands.

The reason for setting up in Majorca, says Mr Hidalgo, had as much to do with tha previous chain of airline collapses as with Palma's importance as an air traffic centre.

It was simply where most of the reduudant skilled staff, from pilots to mechanics, were to be found.

Palma's Son Sant Joan airport is predominantly used for charter flights. Accounting for three-quarters of air traffic in the Balearic Islands, alongside the airports of Ibiza and Menorca, it ranks as Europe's leading charter centre – and in the high summer as Europa's busiest airport – handling up to 120,000 passengers a day on July or August weekends.



The new terminal at Palma's Son Sant Joan airport is designed to cope with peak volumes of up to 12,000 passengers an hour

More than 80 per cent of its activity is concentrated between April and October.

Last year, Air Europa and Spanair stood at number one and number three respectively in the Palma traffic figures. Number two was Germany's Hapag-Lloyd. More Germans travel to and from Palma than Spanisb citizens. On the other hand, Iberia last month stopped its schednled connactions between Palma and Frankfurt, Paris and London – a decision that has met strong local objections. And there is no scbeduled connection with Brussels.

A new terminal building, inaugurated this month, is designed to cope with peak volumes of up to 12,000 passengers an hour. The terminal is the biggest edifice ever constructed in Majorca, and has 204 check-in counters. Eventually it will have 64 aircraft "fingers". This is the centrepiece of a Pta40bn remodelling plan which has been under way for the past four years, financed mainly by the national airport authority Aana with a Pta11bn contribution from the European Union's Cohesion Fund.

The move of Palma's airport to this site in 1960 marked the beginning of the island's modern economic era. Annual passenger traffic reached 1m in 1962 and had doubled by 1965.

In 1987, it passed 10m, and last year it exceeded 15m. Airport officials say that with the new facilities it should be able to handle up to 25m passengers a year. And that, in the view of tourism plannera aiming more at quality than quantity, is more than enough.

PROPERTY • by Tom Burns

Germans arrive en masse

The local press has reported that 50,000 Germans now own property in Majorca

In the space of little more than an bour on a Friday evening two weeks ago, 13 aircraft flew back from Palma's airport to assorted destinations in Germany.

In the airport bars, waiters efficiently took orders in German and if you shut your eyes to the rosé wine sunset it could have been the departure lounge of Munich, Munster or any other airport between the Rhine and the Oder.

Jokes bave been made about Germany buying the island of Majorca as a goodwill gesture that will boist Spain onto the starting grid of monetary union. Mr Kai Dost, who sells lots of Majorca houses to Germans – 41 in the slack first three months of this year against 104 in all of last year – takes a different view.

"Germans are flocking bere because tbey are unhappy back bome. That's wby I came", be says. The Palma-based property consultants he works for, Kühn and Partner, opened three new offices on the island last year and plans to start up another two this year.

"The mix of mild winters, marinas and golf courses seems to be irresistible for the Germans," says Mr Juan Olabarria, a manager at Vibelba, a big German-owned property developing company that is headquartered just ontside Palma. "They started to come after the 1993 recession and we baven't stopped building for them."

Nor, it appears, have the Germans stopped playing golf. Such is the demand to get onto the greens, that for the first time this year all of Majorca's 12 golf courses remained open during the winter. Three more courses are due to be completed within the next two years.

Vibelba owns the exclusive Son Vida hotel and golf club complex close to Palma and has added a new upmarket development nearby with more golf facilities and 500 housing units. Two more similar developments are now planned.

After rapid growth in construction and sales in the early 1980s, property prices dropped sharply between 1989-1993 – "we were tben selling very cheaply or not all," says Mr Olabarria. Although prices have since recovered, the renewal of the construction business and the mix of both primary and secondary homes that characterises housing in the Balearics has ensured price stability.

Last year, some 2.6m Germans arrived as tourists to the Balearics – only slightly fewer than the British contingent. But far more interesting in the long term for the economy of the islands is the growth of the long-term foreign resident market.

The local press has reported that 50,000 Germans are now property owners in Majorca – a figure which sparked off the talk about Germany buying the island. Mr Dost reckons the number is about right although he believes there are even more British householders.

The difference is that Brittons began acquiring property on the islands 40 years ago while the Germans have arrived en masse in the past four years. What is more, the Germans seem to have the market to themselves. "The English have disappeared as buyers," says Mr Olabarria.

Who are these foreigners moving in to the island and why heva they chosen Majorca?

The property bnyers fall into two main groups. One is formed by Germans in their early fifties who are buying holiday homes now that they will later use year-round when they retire. The other is formed by younger professionals, architects, designers, asset managers and accountants, consultants of one kind or another who, as Mr Dost terms it, are "unhappy" back home.

With the onset of the modem and online communications, the lap-top professionals have opted to use Majorca as their professional base.

Son Bunyola, a mansion with 5km of its own coastline in western Majorca, is scheduled to be transformed into a hotel by Richard Branson

The island – a two-hour commuter flight from Germany – trumps potential competitors for this market.

"Sardinia is too cold in winter, Greece and Tenerife are too far away and Marbella has too many Russians," says Mr Dost.

Resorts, equipped with golf and marinas, are tbe traditional magnets for the foreign residents (Port d'Andraitx, in tha south-west of Majorca, currently exerts the greatest pulling power) and Deia, once Robert Graves territory and now associated with Richard Branson, has always enjoyed a nicbe demand. What is new, bowever, is an increasing interest in homes in Palma's historic quarter.

Mr Fernando Palazuelo, who runs a company called Arte Express, has converted a string of old houses, some of them palatial, in the area around Palma's stunning gothic cathedral, keeping in all cases their external character intact. He has brought to the island a building business he created in Barcelona where he helped the successful redevelopment of the old inner city neighbourhoods ahead of the 1992 Olympic Games.

The clients for his mostly two-bedroom and moderately priced apartments in old Palma are a mix of Spaniards and foreigners, not all German. "I sold one to a ship designer who lives in the Isle of Wight and, incredibly, comes here virtually every weekend."

Mr Palazuelo sees Majorca filling up with an increasingly sophisticated cosmopolitan population of wealthy individuals and globe-trotting, self-employed professionals who will spend increasingly long periods each year on the island. Clients and friends include a Polish architect who divides his time between Vienna and Palma and a British businessman who travels frequently to Singapore and Manila.

The possibilities of the emerging market that Mr Palazuelo has pioneered in old Palma has not escaped the notice of the giants in the island's real estate business. Vibelba has just acquired a block close to the cathedral and is negotiating redevelopment permits.

"We think there is a very interesting and attractive market in tha historic centre," says Mr Olabarria.

PROFILE Matutes

Empire is a family affair

The Matutes empire includes shipping, construction, travel and property companies, about 40 hotels and holiday apartment complexes in Spain and the Caribbean, and ventures in agriculture and fish-farming. But yon will not find it in any listing of top Spanish companies.

"As an amalgamated unit we don't exist," says Mr Daniel Pons, general manager of Fiesta Hotels, the principal family business interest of Mr Abel Matutes, the Spanish foreign minister, also known in his home territory as "the king of Ibiza".

The Matutes group has no holding company, and does not produce a consolidated balance sheet, says Mr Pons. Fiesta Hotels itself is just a trading name. It is not registered as a company.

In Ibiza, the group is omnipresent, but not always obviously. Its headquarters is an anonymous building in the town centre, fronted by a travel bureau and an estate agency. The entrance to Empresas Matutes is down a passageway between them.

This is is the hub of the businesses built up by Mr Matutes, successively mayor, senator, congressman, European commissioner, Euro-MP and minister.

The amiable Mr Matutes, now 55, founding father of the conservative Popular Party in the Balearic Islands, has isolated himself from any direct management role in the group. But along with his family be maintains ownership control of all its parts.

Mr Matutes, born into the richest family of what was still a poor island, returned to Ibiza after two university degrees and a stint as a professional footballer in Barcelona. His grandfather, also called Abel, had founded a bank which still exists – these days as a subsidiary of Italy's Istituto San Paolo di Torino. It goes under the name "Banco Sanpaolo, formerly Banco de Ibiza", but locals still call it the "Banca Matutes".

The family has retained an interest – a small shareholding in the Italian parent group and a minority stake in the Ibiza-based Spanish offshoot.

The rest of the empire is what Mr Matutes created himself. He started as a partner in a small building supplies company, then went into the hotel business by converting a small block of flats with some friends. At the beginning of the 1970s be spent a short and unfortunate period as Ibiza town mayor, an appointed post under the Franco regime.

A spat with the air ministry over what was to be his third botel, under construction at the end of the airport runway, ended with the building's demolition. Mr Matutes did, however, win compensation. And despite the setback, the business had already taken off.

The group's hotels and holiday flats, according to Mr Pons, total between 22,000 and 25,000 beds. In Ibiza, still its principal base, it is the leader, geared totally to package tour business. The UK provides 65 per cent of its clientele in the Balearics. "We have hotels where everybody in the hotel is British," he says.

"We have always been conservative, not only politically, but in the business, too. We're not a risky company," Mr Pons says. Fiesta Hotels is wedded to the mass trade. In his view, recent initiatives to develop smaller-volume, luxury establishments, are "irrelevant to the economy of the country and the number of people employed." They may be good for the overall image of the islands, "but that's not our market."

He defends the sort of high-rise development that characterised the rapid growth of tourism as being "what the public demanded" at the time. "If in 1969 we had tried to create horizontal hotels on the coast, everybody including the tour operators would have said we were crazy. Everything was vertical."

Fiesta Hotels, a chain made up of self-standing companies with varying shareholding structures, has expanded in the past five years with developments in the Dominican Republic and acquisitions in Majorca. It also has two hotels in the Canaries.

Other Matutes interests range from ferries to a high-tech dairy farm, from an aqua-park in Ibiza to a large fish hatchery near Cadiz. And there is still the original building supplies outfit.

What these companies have in common is that the family always has majority control. Mr Matutes's brother, Antonio, chairs the group, and his eldest daughter Carmen recently started working in it.

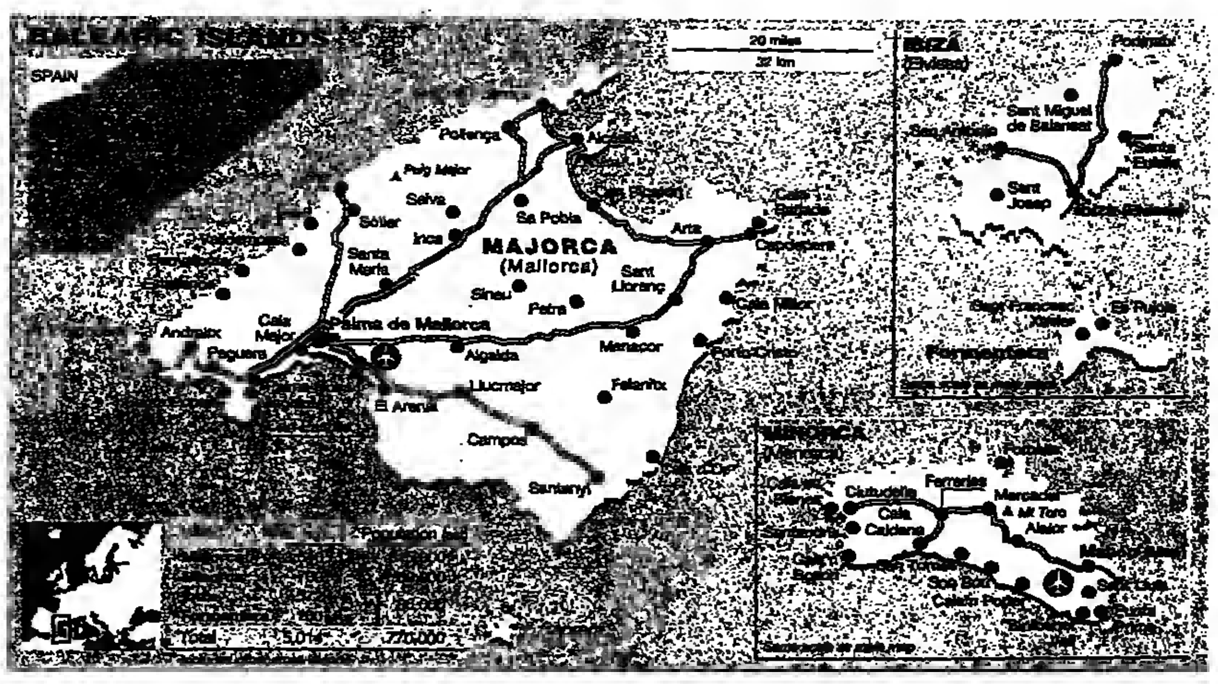
Has the group benefited from Mr Matutes's political career? Mr Pons says it is just the contrary. "If be had not gone into politics, we'd probably have 100 hotels instead of 40."

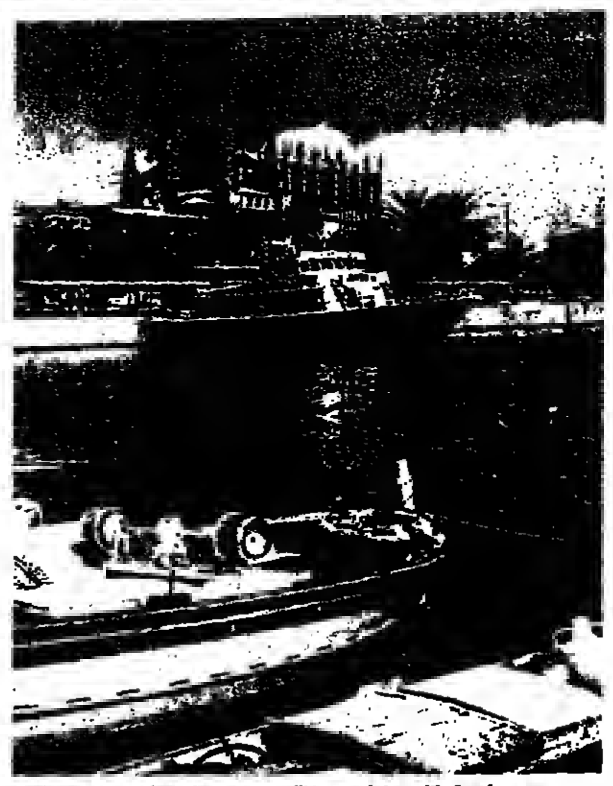
David White

THE BALEARIC ISLANDS

The package holiday trade has transformed the islands but there is now a widely-shared belief that the Balearics have gone as far as they can in mass tourism, perhaps too far. **David White** reports

Richest region of Spain





Majorca: an eminently cosmopolitan society, with foreigners accounting for a tenth of the resident population *Picture: Peter Baker*

Spain's Mediterranean islands are the archetype of a region transformed by tourism, propelled from immemorial backwardness to relative wealth. It used to be that those who left the islands did so for good, but after four decades at the centre of the package holiday trade, islanders who once were a people of farmers, fishermen and emigrants have become tourists themselves.

But where do people from Majorca and Ibiza go when they go on holiday? Travel agencies in the Balearic Islands – one of the world's prime tourist destinations, every year receiving 10 times as many visitors as their own population – are currently advertising breaks to Venice, Turkey and the Caribbean.

And when they take off to the Dominican Republic they go to stay in hotels owned by Majorcan and Ibizan companies. In the sector which has become their main source of revenue, the islands have created their own commercial empire.

The Balearics are to tourism what California is to information technology. For no other reason than the holiday trade, they form the richest region of Spain, with an average income of more than $20,000 a head, some 60 per cent above the national average. The region was the first in Spain to exceed the average income level of the European Union, where most of its visitors come from. It is also one of the fastest-growing and it has the largest proportion of its population in employment.

It caters for all tastes, from the cheap and rowdy to the exclusive and secluded. Since the 1970s, Majorca has been the summer haunt of Spanish royals. At the same time, its airport in the peak season becomes the busiest anywhere in Europe.

It is an eminently cosmopolitan society, with foreigners accounting for perhaps a tenth of the resident population; restaurants accustomed to coping with non-Spanish hours; and some areas resembling far-flung suburbs of Dortmund. For the past couple of summers, fresh water has been brought to Palma de Mallorca by ship, because the brackish local supply was not considered up to standard.

"Forty years ago, more than 50 per cent of our gross domestic product was agriculture," says Mr Jaume Matas, president of the autonomous regional government. "Now it is 1.6 per cent."

The region is run as three administrative units – Majorca, with the bulk of the population, half of it in Palma, the islands' only real city, Menorca and Ibiza-Formentera. The service sector makes up more than 80 per cent of the economy. There is little alternative.

A limited local market of 770,000 consumers and high transport costs for importing raw materials or sending finished products are long-standing island handicaps. Such industry as exists is largely craft-based – for example, quality leather goods and artificial pearls – and even then relies a lot on tourist custom.

Minorca alone has more of a balance between industry and services. "But on the other hand that is why it is less economically developed," say regional officials. As a result, they say, Minorca is gradually following the same path as the other islands.

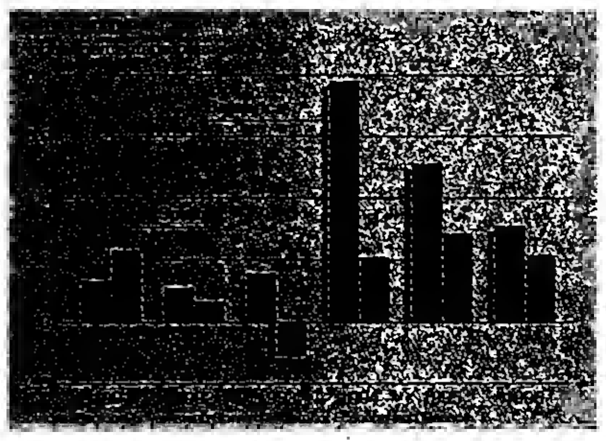
"Tourism," says Mr Matas, "is the reason the Balearics are what they are." Dependence on holidaymakers brings seasonal fluctuations in job levels, but unemployment stays well below mainland Spain's 22 per cent.

The islands' economy has proved less vulnerable in recession; more responsive to periods of European recovery. "The jet aircraft was the turning point," Mr Matas says. In the next century, he believes, telecommunications will provide a second means of overcoming geographical handicaps. The regional government places high hopes in a planned high-tech "business resort" north of Palma.

This venture relies in part on EU backing. But compared with other Spanish regions, the Balearics have not been big recipients of EU funds, or central government transfers. In contrast to Corsica, for example – heavily subsidised by Paris – the islanders have largely got along by their own efforts. Regional officials say that apart from discounts for resident EU citizens on travel to the mainland, there are no significant concessions.

"This is the secret of the Balearics economy. The private sector has done everything," says Mr Matas. His favourite example is the cleaning of the crowded beeches east of Palma, which is done not by local authorities but jointly by businesses. Competition is strong in most sectors, from ferry services to newspapers: Majorca has four local dailies in Spanish, one in Catalan and one in English.

For Mr Matas, the development of this "completely neo-liberal society" explains both the islands' success and the centre-right Popular Party's dominance in the region. But this dominance doubtless also has a lot to do with conservative traditions and personality-based politics.



Ever since the regional government was set up 14 years ago, it has been in PP hands. It was one of the first regions secured by the party, and held up as an example of PP management. It has the smallest number of bureaucrats per head of population of any region, the smallest budget and the lowest debt in relation to its GDP.

But since 1996 the party's record has been submerged in serious embarrassments. Mr Gabriel Cañellas, the region's first president, three times re-elected, had to resign amid allegations of illegal party financing through commissions on a road-tunnel project. He now faces trial on corruption charges.

Mr Cañellas quit reluctantly, at the insistence of Mr José María Aznar, the PP's national leader, then already on his way to becoming prime minister. And the affair has been followed by another court saga over an alleged attempt at bribery to gain control of a densely-developed municipality to the west of Palma. After an interlude of party infighting, Mr Matas, 40, took over as president last June, the third president in two years.

The most recent arrival among Spain's regional leaders, many regard him as embodying the continuing influence of Mr Cañellas, and he has yet to secure his position for the next regional contest two years from now. The PP's lead in the region, never overwhelming, has been eroded, and control of Majorca's island council has for the first time been lost to a left-wing and regionalist coalition.

Unlike the Canaries, the Balearics have had no strong indigenous political movement. Although the different islands – each with its own variant of the Catalan language – command strong loyalties, the sense of regional identity is recently-emerged and still relatively weak. But any alternative to the PP would almost certainly involve a pact between the mainstream Socialists and the separate Majorcan Socialist Party, which has been gaining ground with a pronounced nationalist and ecologist platform.

Although the islanders have adapted to the influx of foreigners, there have been signs of growing resentment over the extent of recent German property purchases. Mr Matas is confident that this reaction will pass. "We cannot erect barriers, nor do we want to," he says. But he wants to avoid the creation of foreign ghettoes and to ensure that new residents are assimilated.

On the other hand, building restrictions are being tightened and big hotel construction is virtually halted. There is a widely-shared belief that the Balearics have gone as far as they can in mass tourism, perhaps too far, and an increasingly strong awareness of the need to protect the natural resources that have escaped development.

After 40 years of large-scale exploitation, people in the Balearics have come to realise that the environment is the islands' only raw material, and is non-renewable. If there is not a firm clampdown, says Mr Francesc Triay, Socialist leader in the region, "we will kill the goose that laid the golden egg."

PROFILE Perlas Majorica

Buyers by the busload

Manacor does not look the sort of place people would want to visit, but they do. Majorca's second town, it features drab streets of boxy buildings and furniture workshops, and giant billboards advertising artificial pearls – which are what the tourists come for, by busloads.

Managers at Perlas Majorica, the islands' most emblematic trademark, say the shop at the factory site is the biggest in Europe devoted to a single sort of article made by one company. It would be a hard claim to disprove. In the peak summer months, the shop staff is increased from 80 to 150.

Having built its reputation on an imitation product, Majorica is in constant battle with imitators of its own. The company, which started operating here in 1890, hit on its current production process in 1951 – "the best artificial pearl in the world," it confidently asserts. It says it now has the same difficulty protecting its brand name as Rolex or Cartier.

The company employs about 700, mainly at two factories at Manacor. One makes pearls, the other produces a range of gold, gold-plated and silver jewellery, almost all with pearls as their main feature.

Majorica has its headquarters and design department in Barcelona, and another facility in the Canary islands collecting the marine products that go into coating the pearls.

The barracks-like main factory turns out more than 50m pearls a year, in different sizes and colours – cream-pink, white, grey and black. Meticulous selection procedures begin with the ceramic nucleus around which the pearl is made. Misshapen ones are marked and weeded out. The good ones are given a series of fine layers of a resinous substance made with fish-scales, emulating in a controlled way the process of the oyster creating a natural pearl. Bathed and polished many times over, they obtain an iridescence and lustre that Majorica claims nobody else can match. "They are better than many cultivated pearls," say managers.

Quality control: despite the high output of about 50m pearls a year, much work is still done by hand

About 25 per cent are rejected somewhere along the line. Quality controls are done by eye. Automated control systems are still under development, the company says.

The factory has machines for various parts of the manufacturing process – forming the cores, sorting pearls by size, polishing – but the same operations are also done by hand: applying blowtorches to sticks of ceramic, shaking the little globules through sieves, polishing up the coated pearls. Mechanisation is a gradual process. The company insists on making all its machines on-site, for fear of giving any bit of the game away to competitors.

In one corner of the plant, Majorica imitates its imitators, producing a lower-quality variety of pearl than it would sell under its own name. These, employees say, take two or three days to make, compared with about three weeks from start to finish for the pure-bred Majorica product.

The nearby jewellery plant stands out in bright, modern contrast, with galvanising done by robots and with a computerised stock of wax dummies for each product of the range, made to order and dispatched by air freight. In an industry where workforces of single-digit numbers are standard, the plant is a relative mammoth, employing more than 160. But here, too, production relies heavily on manual skills.

Last year, Majorica sold Pta4.7bn worth of necklaces, earrings, pearl-bracelet watches and other items. Just over half – worth Pta2.4bn – were exported. Through the Spanish company and French and US subsidiaries, it sells directly to retailers and duty-free shops in 67 countries. Japan, for all its tradition in cultured pearls, figures regularly among its top three markets.

Competitors have tried to cash in by using similar names – some local, others as far afield as Brazil. "Pure rubbish," say Majorica executives.

The formula for coating the pearls is probably the most closely guarded secret in the islands. But it is not Majorica's only secret. The company is sparing about financial information, and does not discuss its shareholders, made up of private interests including descendants of the German-origin founders.

It has been in negotiations to bring in an outside partner, and was reported last year to be on the point of opening its capital to the Austrian-Swiss-based Swarovski group. But the company insists that all options are open and nothing has been decided.

David White

INDUSTRY • by Tom Burns

Shoes may show the way

Policy planners are focusing on preserving industries that used to flourish

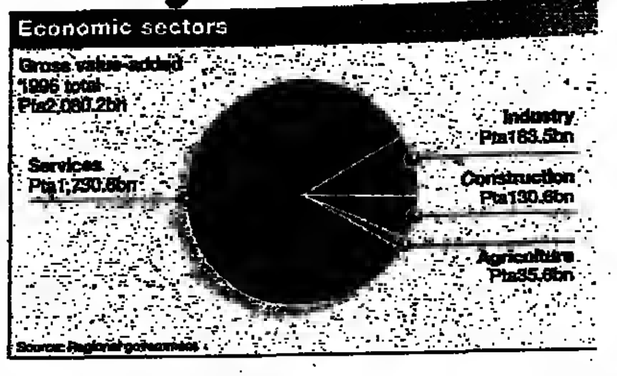
Tourism has made the Balearics rich but the islands were not on the breadline before package holidays were invanted. They had a diversified self-sustaining economy.

Farmers in the Balearics produced olive oil, cheese and a full range of market gardening products. An artisan class, using skills originally introduced by the Phoenicians, the Greeks and the Romans, worked with jewellery and leather.

In the Balearics, moreover, a sophisticated Moslem culture that established strong roots during the 500-year Arab occupation of the islands gave a new impetus to the cottage industries and perfected irrigation and windmill techniques. Economic activity has always been a feature of the Balearics.

As occurs in other resort areas, policy planners at the islands' Palma-based government nevertheless express their fears about a tourism monoculture that has now placed all the Balearic eggs in the same basket. The need for diversification heads the agenda in the departments run by Mr Josep Juan Cardona, an Ibiza-born lawyer and the local minister for agriculture, industry and trade.

Mr Cardona and his team are not, however, seeking to develop new businesses. Rather they are attempting to preserve the industries that used to flourish. "I see part of my job as defending what we have always done on these islande: shoes, leather work and costume jewellery," Mr Cardona says.



His departments certainly do not seek to substitute tourism. This would be complete folly. His team believes, instead, in a partnership with the 30-year-old cash cow of the Balearics economy.

Ideally, the traditional economic activity should complement the burgeoning service sector that the tour operators have created. The preservation of certain industries enhances the tourism attractions of the islands and the year-round invasion of foreign visitors should in turn stimulate certain manufacturing processes.

Take agriculture. The Balearics government backs the shrinking population of farmers (and ensures they receive the appropriate European Union subsidies) not because local agriculture is commercially viable bnt because it is scenically and environmentally friendly in an area that needs to remain beautiful.

If the terraced olive plantations were not kept in good trim the scenery would suffer. "What is more, tourists really enjoy going to see the old olive mills at work," says Mr Cardona. If they buy – and most do – a bottle of virgen virgin olive oil that has been pressed using a technology that was invented 2,000 years ago, then so much the better.

The same goes for artisan crafts such as glass-blowing. Such island industries only exist because they have busloads of tourists turning up to view a picturesque conjuring act. Without the foreign visitors they would have disappeared.

Despite the partnership possibilities between tourism and the traditional activities on the islands, the industrial ontlook looks decidedly bleak. The number of eboe manufacturing companies in the Balearics dropped from 312 to 266 between 1987 and 1996. Over the same period, 50 of the 125 costume jewellery producers went out of business. Even allowing for considerable "black" or submerged employment in industrial sub-sectors that are formed by essentially small, family-owned companies, the labour figures are depressing. Fortunately tourism has created jobs.

In 1985, the Balearics government recorded a total of 8,882 jobs in the textile, leather work, shoe manufacturing and costume jewelry sub-sectors. In 1996, this number had fallen by 49 per cent to 4,351. Jobs in the shoe manufacturing business, by far the biggest industrial employer on the islands, fell by nearly 53 per cent from 5,391 to 2,536.

And yet it is precisely in the shoe industry that the local government places its greatest hopes for diversification. The value of exports from Balearics shoe manufacturers rose from Pta991m in 1992 to Pta1.7bn in 1995. In the first five months of last year, according to the latest set of figures furnished by the local government, shoe exports were up by 41 per cent on 1995.

The numbers are derisory in absolute terms but what is important is the trend that has been set in motion. The Balearics shoe industry may have contracted in terms of jobs bnt it bas become profitable by concentrating on the more expensive sector of the market thanks to a judicious mix of investment in high-tech systems (backed by local government subsidies) and of innovative design.

The shoe business in the Balearics, mostly located in the Majorca town of Inca, represents, in value, 2 per cent of total shoe production in Spain and 3 per cent of total shoe exports. This export premium is basically the result of price; the sale price of a top quality and high fashion shoe produced in the Balearics is more than double the average sale price of Spanish shoes.

The success of a quality-driven strategy in the shoe sector should point the way ahead for the policy planners who worry about diversification. Costume jewellery, the other big non-tourism employer, should follow the same route to the top bracket customers.

PROFILE ParcBIT

Surfing the cutting edge

The genesis of ParcBIT, the Balearics innovation and technology park, can be traced as follows:

Research important trends in the next millennium, paying special attention to thoughts on leisure, life styles and information technology; hire a top architectural firm to package the theories into a living space; then spend a lot of money in the hope that the project will take off sooner rather then later after the year 2000.

If nothing else, ParcBIT shows the Balearics government enthusiastically surfing the wave of cutting edge post-modernism. It is initially spending some Pta6bn in the bope of persuading a cultured, cosmopolitan community to set up shop on a 140ha greenfield site where parts of that community will dream up clever ventures. BIT stands for Balearics, Innovation and Technology.

"In 1990, we had a brainstorm about the 21st century and about where the Balearics should be beading as a consequence of the megatrends we identified," said Mr Andrés Font, chief executive of ParcBIT. "Out of this this came a strategy for turning the islands into a knowledge-intensive business resort."

The Balearics government acquired the park land outside Palma which adjoins Majorca's scenically situated university campus and created ParcBIT as a wholly government-owned company which will develop the site and subsequently be at least partially privatised.

Mr Font has trawled through the academic world for ideas to launch the site. The London School of Economics has been hired to study business perceptions of Majorca and Tel Aviv university has been asked to identify innovative technology projects that might be interested in establishing research facilities at ParcBIT.

An international competition was organised in which participants were asked to plan what is essentially a new town on the ParcBIT site, combining residential, working and leisure areas. It was won in 1995 by the London-based Richard Rogers Partnership of international architects and Mr Font hopes that by 1999 the first offices in ParcBIT will be opening for business.

The team led by Sir Richard Rogers has designed three urban clusters for the site, each of which will combine living and working areas, and the three landscaped "villages" or nodes will in turn form a distinct community. ParcBIT will be mostly pedestrian and the size of the three small villages, according to the site's promotional literature, is defined by the practical limits of walking between each node and across the wbole development.

The design seeks a "balanced" community in which each node branches out from public buildings, exhibition centres and hotels, a church, schools and libraries, sited around and near a market square. The buildings fan out from this centre to form a working and living district, mixing apartments and offices, and then there is a quieter residential area on the outskirts.

Mr Font claims that ParcBIT will incorporate every possible environmentally friendly initiative, inclnding solar panels and state-of-the-art water management, and that it will be wholly geared to cope with information technology requirements.

The next question is who will want to live and work in this knowledge-intensive business centre? Mr Font says ParcBIT has space for 1,000 living units and that they will all be taken up.

The answer is linked to what the local government's policy planners perceive to be the shift in Majorca's population and economic activity. The island will increasingly attract residents, foreigners and Spaniards, in place of seasonal tourists, and these residents will increasingly use Majorca as a place of work rather than as a retirement home.

Mr Font likes to talk about creating a "business resort". This is either a contradiction in terms or, as he claims, it is a wholly viable 21st-century project that makes perfect sense in a well-connected and culturally developed Mediterranean island such as Majorca.

Tom Burns

PROFILE Sol Meliá

Still anchored to its original roots

Majorca was the cradle of Sol Meliá, tbe listed leisure group that manages more than 200 hotels in 25 countries. Forty years after Mr Gabriel Escarrer, its controlling sharebolder and chairman, began running hotels on the waterfront of Palma's bay. the island remains very mucb its corporate headquarters.

Sebastián Escarrer: studied business administration at Wharton College in the US

Mr Sebastián Escarrer, the chairman's son and Sol Meliá's chief executive officer, says the gronp may have gona global bnt it remains "anchored to its roots". The Balearics still contain the highest concentration of Sol Meliá hotels although the fees earned from managing the island properties represent at most 15 per cent of the total earned by the group.

It is not just sentiment that keeps the headquarters located in an industrial estate midway between the city of Palma and its airport. Mr Escarrer stresses that Majorca is the tourism capital of Spain in part because it receives more tourists than anywhere else bnt, much more importantly, because it has been the launching pad of virtually all the other big domestic leisure groups.

"People in the Balearics understand tourism," be says. "We're the only group that is operating as far afield as Asia bnt wbat we've all learnt is that once you've made the jump ont of the Balearics, you find you're in the same complex business whether you're in the Caribbean or in the Canaries."

Mr Escarrer junior comes across as a paradigm for a new generation of hotel industry business leaders who fuel the wealth of the Balearics. But it was his father, a self-made entrepreneur, who spotted the leisure trend and pioneered the prosperity of the islands. *El fundador* (the founder) as his son reverentially refers to him, started work at the age of 16 as a messenger in a Palma travel agency and began managing his first hotel when he was 20.

Sol Meliá lore has it that Mr Gabriel Escarrer, who had been an altar boy in the local church, enlisted the belp of the parish priest to persuade an elderly parishioner to let him run a hotel she owned on a profit-sharing basis.

A year later, Escarrer senior was managing five hotels with views over Palma's bay and filling them with the clients of the tour operators wbom he bad met at the travel agency where he continued to work.

As charter flights began to descend on Majorca in the late 1950s, Sol Meliá's founder soon discovered that he could finance the acquisition of hotels with tour operator contracts. Others in the Balearics followed his lead as the package tourist industry took off.

Mr Sebastián Escarrer studied business administration at Wharton College in the US, worked in investment banking and then for an American botel cbain, before being recalled by his father to take a job in the family business. The younger Escarrer's singular contribution to the business has been to first segregate it into two companies – one dealing with hotel ownership and the other with hotel management – and then to list the management side of the business on the stock market.

"I worked out this strategy while I was at Wharton because it was the strategy that Marriot (the US hotel chain) was taking at their headquarters just across the road in Philadelphia. But it took a bit of time to persuade my father that it made sense for us."

The initial public offering by Sol Meliá last summer placed 40 per cent of the family business on the market, raised $275m in fresb capital for the group and set new records for an international placement by a Spanish company.

Since then Sol Meliá, the only hotel group so far to trade on the domestic stock exchange, has been one of the strongest stocks on Madrid's Bolsa.

In the close-knit world of Balearics business, the Sol Meliá experience could prompt other companies to go public. "I would encourage all sorts of companies to do what we have done," says Mr Sebastian Escarrer.

Analysts believe that the success of the listing and the determined growth strategy that the Escarrers have mapped out for Sol Meliá will almost certainly lead the group to tap the markets again. Father and son are keen to open for business in London and in other big European capitals that are favoured destinations for Spanisb tourists.

Tom Burns

TOURISM • by David White

Attempt to lure big spenders

There is an effort to 'reposition' the islands in the market and extend the season

There is more hotel accommodation in the few miles of flat beach area in the bay to the east of Palma de Mallorca, than in tha whole of Belgium.

The Balearic Islands were already well known as a popular holiday destination in the mid-1960s, wben tba number of visitors reached 1m. Last year, the figure was 8.5m, including 1m from mainland Spain, heavily outnumbered by more than 3m Germans and 2.5m Britons.

According to the economic studies department of Sa Nostra, the regional savings bank, tourism generated Pta706bn of husiness last year. Price increases this year are expected to add another Pta21bn, taking the figure over the $5bn mark at current exchange rates.

What is remarkable is that there is still countryside left. For every square mile of the islands there is a hotel or a holiday apartment block – 2,870 of them on the official register, some with more than 1,000 beds.

The hotel business was huilt on money from international – mainly British – tour operators rather than local capital, but the bulk of it is in local ownership. These Balearics companies not only dominate their home market but in several cases have become tourism multinationals.

Of the top 10 Balearics companies listed by Actualidad Económica, the Spanish husiness weekly, seven are in the hotel, travel or air transport sectors, inclnding the country's two leading private-sector tourism concerns, the Viajes Iberia travel group and tha Sol Meliá botel chain.

The Barceló group is one of the oldest, now with a third generation of the family in top management. It began in 1931 as a small bus service running from Felanitx in the east of Majorca to Palma. Later came a travel agency, and the company started renting small botels. When the rapid growth came in the 1960s, it began building its own big botels aimed at a family clientele, first in Majorca, then the other islands, then mainland Spain.

Historical sites and sandy beaches lured 8.5m visitors last year

Pictures: Marian Edmunds and Glyn Genin

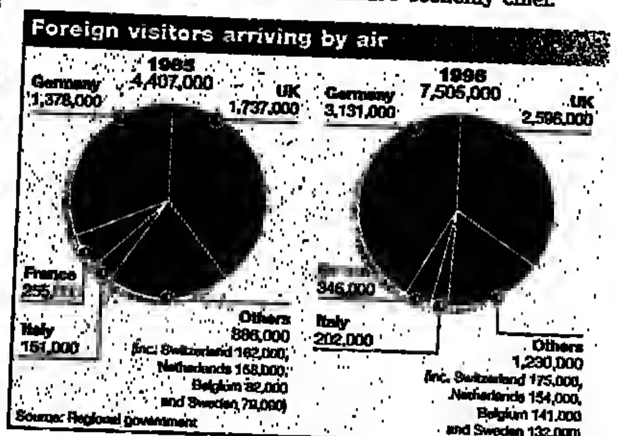
In the 1980s, as the Balearic Islands became increasingly saturated with tourists, the Barceló group pioneered Spanish hotel ventures in the Dominican Republic, where its rivals are mainly other family-run Balearics companies such as Riu Hotels.

The 39-strong Barceló chain now ranges from a city hotel in Prague to Nicaragua, Mexico and the US.

From experience accumulated as one of the first package-tour destinations, the Balearics have become a centre of expertise in the sector. But in the bargain boliday market wbere they made their reputation, they can no longer compete purely on price against countries such as Turkey with lower labour costs.

Regional authorities are now trying to work with the sector to "reposition" the islands in the market and spread the business over the full year. "We could do a lot more," says Mr Antoni Rami, the regional government's economy chief.

Foreign visitors arriving by air



Source: Regional government

In an attempt to attract higber-spending visitors, some Pta150bn has been spent in the past few years on modernising hotels. Hoteliers say they have stopped building more rooms and are instead concentrating on upgrading those they have.

Government plans include thinning out some of tbe more densely-developed coastal zones. In terms of sheer numbers, the islands simply cannot take any more in July and August, says Mr José María González Ortea, who heads the regional tourism department. "We would even like a slight drop."

Efforts to promote a more up-market image, he says, have so far had more success in Germany than in the UK, which was the biggest source of custom up to the end of the 1980s. He favours maintaining a wide range, from top-category golf holidays to the basic sun-sand-and-disco product for young people.

But the authorities are trying to discourage a trend towards "all-inclusive" packages – an increasing source of distress to restaurateurs who have lost business to the hotels in the past two years. The all-in formula is seen as out of place in the Balearics, which have about 4,000 restaurants and a regional gastronomy that has until recently been undersold.

In the face of competition, says Mr González Ortea, the islands need to focus more clearly on their advantages: their closeness to the main European markets, high standards, and diversity.

From Minorca, relatively spared by mass tourism and dotted with prehistoric remains, to Ibiza, wbere 1960s-style hippies co-exist with Spanish fashion-setters and low-budget British sun-seekers, there is no lack of variety.

Cross-currents of history are reflected in the different forms of architecture, from the Catalan Gothic of Palma's palaces and churches, to the Arab-style bouses of Ibiza, to the sash windows of Mahón which remind visitors that Minorca was British-ruled for most of the 18th century.

For geographers, this is not one but two groups of islands, with Ibiza and Formentera belonging to a separate archipelago, the Pitiusas, ratber than the Balearics proper.

The bulk of visitors are packed in between June and September. Efforts to increase the winter market bave had some success in Majorca, but less in the other islands. Although the maximum mean temperature in December is still a pleasant 17 degrees, many hotels close down from late October to Marcb or April.

As a result of this seasonal imbalance, the Balearics show a wider variation in unemployment over the year than any otber Spanisb region. National Statistics Institute surveys showed last year's rate oscillating between 16 per cent in the first quarter to 11.4 per cent in the third, when it has barely half the national average. The islands' registered working population in July-August was a third more than in January. But the regional government says the disparity is narrowing, and the biggest job gains have been made in the low season.

Martin Wolf

This Emu can surely fly

With official figures showing monetary union well within the EU's grasp, member states are most unlikely to abandon the attempt now

As in the referendum in September 1992, a French presideot has apparently entrusted the fate of European economic and monetary union (Emu) to the mercles of a disgruntled populace. Many in the UK hope the French electorate will save them from having to decide whether to enter. They are fooling themselves. Emu is far more likely to go ahead as planned.

There are three reasons for believing this: European political leaders have repeatedly stated how important they think the project is; they have all, including the French, already imposed almost all the sacrifices necessary to fulfil the Maastricht treaty's economic convergence criteria; and the pain consequent upon that austerity lies largely in the past.

Many in France are miserable about the austerity of recent years and Mr Lionel Jospin, leader of the Socialist party, is campaigning against it. But this is highly unlikely to lead them after the election to sabotage a fiscal position that will probably deliver Maastricht-compatible results in this, the crucial year. That the year in question will already be half-completed by the time of the election would make such a turnaround still crazier.

Even if Mr Jospin wanted to, it is difficult to imagine he would have a majority in parliament for what the elite – and many in his party – would view as an insanely destructive act. Remember that two French socialists – François Mitterrand and Jacques Delors – were the begetters of Emu, while many socialists are true believers in the European idea. They are unlikely to scrap it at the last minute when almost all the pain has been suffered.

Market turbulence might make life difficult for a new government, but only if investors start to doubt the project. Betting against the French franc proved a bad idea when circumstances were far more strongly against it than now. Betting against peripheral currencies such as the Italian lira might be more successful – but this is unlikely to affect the French decision to enter.

The principal reason France is most unlikely to recoil from Emu is that so much has already heeo achieved not just at home, but throughout Europe. In its forecasts about which countries will make the convergence criteria last week, the European Commission may have gilded the lily. Yet its conclusion that virtually all member states will end up close to the Maastricht treaty targets this year looks quite reasonable. In its World Economic Outlook, the International Mooetary Fund agrees.

The IMF says that every country, bar Greece, will meet the criterion for inflation, which is oot to exceed the level of the three best performing countries by more than 1½ percentage points. The same group of 14 is set to meet the interest-rate criterion: that the rate on long-term securities should not exceed those of the same three states by more than 2 percentage points. Of course, any plausible Emu candidate will achieve this automatically, since the market knows it will soon share the same currency.

The public debt criterion is being defined away. This may seem peculiar since the ratio of debt to gross domestic product looks less silly than the deficit as a way of judging whether a country can live with monetary union, the reason being that a country's indebtedness influences its ability to avoid inflationary finance over the long term.

The Maastricht treaty itself merely says that the ratio of gross public debt to gross domestic product should be 60 per cent, or less, "unless the ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace". Astoundingly, Germany is one of few member states that fails on debt: its ratio has been rising and is expected to reach 62 per cent at the end of this year. Arguably, other failures are Spain and Austria.

Yet Belgium, with a debt ratio of 127 per cent this year, down from 137 per cent in 1993, and Italy, with a ratio of 122 per cent, down from 125 per cent in 1994, can both be judged to meet tha criterion. To conclude that Germany has failed and Belgium and Italy have succeeded is palpably absurd. The solution has been simply to ignore the criterion.

This leaves fiscal deficits. According to the Commission, every member state will have a general government deficit of 3 per cent of GDP or less this year, except Italy (on 3.2 per cent) and Greece (on 4.9 per cent). Next year, Italy's deficit is forecast to jump up to 3.9 per cant, while that of Greece falls to 3.4 per cent. The IMF is not far from the Commission. It forecaats that the UK's deficit will be 3.1 per cent of GDP, Spain's 3.2 per cent and the German, French and Italian 3.3 per cent. The others, except Greece, will all be below 3 per cent.

The treaty says that fiscal deficits should be 3 per cent of GDP or less, "unless either the ratio has declined substantially and continuously and reached a level that comes close to 3 per cent or, alternatively, the excess over the reference value is only exceptional and temporary and the ratio remains close to 3 per cent."

Italy, France, Spain and the UK have had declining fiscal deficits in recent years. If Germany's were to be over 3 per cent this year, that would be exceptional. Thus if the IMF were to be right, all these countries would meet the deficit criterion. Italy is also right to be annoyed about its likely exclusion, since its fiscal effort has been extraordinary: in 1994 its deficit was 9 per cent of GDP.

Inevitably, these forecasts depend on the short-term performance of the European economy. But it cannot be said that the Commission is particularly optimistic: it forecasts growth this year at 2.4 per cent, as does the IMF.

If the European economy were to expand substantially more slowly, fiscal deficits would overshoot target levels. Against this, the underlying fiscal positions are stronger than the figures suggest. In 1997, says the IMF, structural fiscal deficits – the deficits when economies operate at their potential – will be 2 per cent or less in France, Germany Italy, Spain, Austria, Finland, Ireland, Sweden, Denmark and Luxembourg and below 3 per cent for every other member state, except Greece.

This means the EU has achieved rather more fiscal consolidation than is apparent from headline figures. The target in the growth and stabilisation pact of a 1 per cent deficit in normal conditions is oo longer very far away. Politically unpopular cuts in public spending can, therefore, be matched from now by far more popular cuts in taxation. Few are the organised interests in favour of smaller fiscal deficits. But many are in favour of lower spending, provided it leads to lower taxes.

This detailed analysis is necessary, above all because it demonstrates that Emu is well within the EU's grasp. If the member states still want to go ahead, they are most unlikely to abandon the attempt now. What applies to the members in general applies at least as much, if not rather more, to France, Emu's prima mover.

This leaves the UK with a painful dilemma. Given the soaring pound and the fact that the UK economy is in a very different cyclical position from the continent, sterling's entry in 1999 would now seem impossibly risky. The next government must decide what to do, instead. Above all, it must decide whether its objective is early entry, or not.

Full steam ahead for Emu?

General government fiscal balance, 1997 (%)

	Forecast	Official target
Germany	-3.3	-2.5
France	-3.3	-3.0
Italy	-3.3	-3.0
UK	-3.1	–
Spain	-3.2	-3.0
Netherlands	-2.2	–
Belgium	-2.9	-2.9
Sweden	-0.3	-2.6
Austria	-2.5	-3.0
Denmark	-0.1	0.2
Finland	-1.9	-1.4
Greece	-5.1	-4.2
Portugal	-2.9	-2.9
Ireland	-1.6	-1.5
Luxembourg	-0.1	[illegible]
All EU	-3.1	
Reference value	-3.0	[illegible]

Source: IMF World Economic Outlook

Powerful currents

Water services worldwide are being handed over to private operators, says Leyla Boulton

When Buanoa Aires recently enjoyed its first summer free of water shortages in years, most of tha credit was claimed by an international consortium led by Lyonnaise des Eaux, the French water group, and including Britain's Anglian Water.

Like many cities around the world, tha Argentine capital has turned to private operators to npgrada and manage its water distribution and sewerage network. And from Argentina to Australia, and China to Germany, it is French and British companies that are sweeping up most of the contracts.

France's two biggest water groups, Générale des Eaux and Lyonnaise, which is proposing to merge with Compagnie de Suez, have the longest experience managing state-owned water assets abroad. But some of tha bigger UK companies – created in 1989 when tha English and Welsh water industry was privatised – are also keen to expand outside the home market.

"This is our futura growth," says Mr David Luffrum, finance director at Thames, the UK company that supplies water to London. Its foreign contracts inclnde a partnership with Générale to manage water supplies in the Australian city of Adelaide.

Only a few cities, such as Melbourne and Mexico City, are considering UK-style privatisation of tha assets themselves. Private involvement in the new water markets typically stops short of full privatisation, ranging from short-term fee-based management contracts to 25-year concessions under which companies recoup their costs from water bills.

Existing water utilities – often municipally owned – lack the capital for modernisation and are losing subsidies to cover operating costs.

"The municipal authorities are bankrupt," says Mr Thilo Steinbach of Eurawasser, a joint venture between Lyonnaise des Eaux and Thyssen, the German conglomerate, which is hoping to take over the management of German water utilities.

In many western countries, private sector involvement also offers the prospect of lower bills – mitigated by the cost of ever-rising environmental standards. Water charges in Germany are 30 per cent higher than in France and 50 per cent steeper than in England.

The demand for efficient water services is even greater in developing countries, where 1bn people lack access to clean watar. Mr Ismail Serageldin, the World Bank's vice-president for sustainable development and leading expert on water, reckons the world water industry will need more than $600bn in investment over the next decade.

"One might conclude we were entering a golden age for private water operators," says Mr Thierry Baudon, managing director of the international finance division of Lyonnaise des Eaux. "Unfortunately this is not so."

Many countries still lack the right political and legal climate for turning the water business over to privata operators. In poorer countries where new plant will require higher charges to recoup the investment, consumers need to be persuaded to pay higher bills for improved services.

Three UK companies with international water interests have recently made provisions for deals that have gone sour. The latest to do so was Anglian which this month unveiled a £15m provision for a Brazilian contract.

Demand for efficient water services is even greater in developing countries, where 1bn people lack access to clean water

Even Lyonnaise des Eaux is having to renegotiate the Buenos Aires contract it holds up as a showcase for the virtues of private operators. The aim is to raise charges for water use so it can cut connection charges to speed up the connection of poorer customers.

Mr Alain Dangeard, a Paris-based consultant, says private oparators must become more involved in developing the environment they need in which to thrive.

"As many of these markets have yet to be created, companies will succeed by making things happen rather than by just observing them," he says.

For example, United Utilities, the water and energy company based in the north-west of England, helped Malaysia design a regulatory system for water and sewerage services it now helps to manage.

Mr Steinbach of Eurawasser says he goes to German citiea "evan before they begin to talk about private involvement in order to explain what can be done".

Mr Baudon of Lyonnaise des Eaux says: "A mercenary approach and excessive focus on the quarterly bottom line is the surest way to fail."

However, Mr Luffrum of Thames, which expects soon to win a 20-year concession to run half of Jakarta's water supply, says foreign contracts are increasingly turning out "black numbers instead of red ones".

Ms Martine Oborne, responsible for water project finance at Flemings, the London investment bank, agrees. "It's been a learning experience for all of us. The [bad] news we're seeing is a bit of a hangover from the past.. .it would be a pity if UK companies do not play more of a role in these very important international projects over coming years."

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Emu long-term debt problems are too readily dismissed

From Professor Peter Coffey.

Sir, Like Professor Paul de Grauwe, "Time to declare victory" (April 18), I have always been in favour of the creation of a European currency (though not at any cost). Similarly, I tend to be optimistic by nature.

However, I would question some of the theses supported by the writer. His main thesis concerns the national budget deficits, as a percentage of gross domestic product, of EU member states. Thus, while the trends are indeed reassuring, we have to ask two questions. First, are these trends – in the case of some countries – the result of "fudging"? Here, I mean the once-and-for-all sales of state assets. And are these trends long term?

I believe de Grauwe, who admits that it is a difficult question, is too dismissive of the problem of long-term debt. But we have to ask, who will fund this long-term debt in an economic and monetary union?

There is one critically important issue de Grauwe did not examine – the relatively long transitional period between 1999 and 2002 when the euro and the national currencies of the participating countries will fluctuate side by side. During this period, we have at all costs to prevent a repetition of the currency debacle of 1992 (so well described by Peter Norman and Lionel Barber in your newspaper on December 11 and 12 1992). Should there be a repetition of this volatility, we shall loose our credibility forever. Consequently, only the most stable countries should be allowed to participate in the first contingent of participants in the Emu.

Finally, it is not at all sure as to the degree to which the creation of an Emu and a European currency will lead to increased economic activity in the EU. While there will certainly be savings in exchange and administrative costs, there will, initially, at least, be costs involved in the move over to the euro. Also, should the euro, at times, be less attractive vis-a-vis the dollar and the yen, on the international exchange markets, for example, interest rates will have to be raised.

Peter Coffey,
professor & holder of the US West Chair,
University of St. Thomas,
DUN241,
52 10th Street South,
Minneapolis,
MN 55403-2001, US

Links with Premier fully detailed

From Mr E. Barrie Stephens.

Sir, Roland Shaw, Premier Oil's former chairman, writes (Letters, April 28) concerning the proposal to re-elect Mr Sam Laidlaw, chairman of Amerada Hess to the Premier board at the company's annual meeting oo April 30. Mr Shaw also raises the question of conflict of interest arising from Amerada's 25.22 per cent holding in Premier and its own international exploration and productioo activities.

At an annual meeting on February 13 1995 Premier shareholders approved the acquisition of Pict Petroleum and agreements made with Amerada, which had a substantial shareholding in Pict. In accompanying documentation full details were given of agreements between Premier and Amerada. Under these, Amerada has the right to appoint two directors to the Premier board while it holds 20 per cent or more of the ordinary share capital.

On the point about conflict of interest there are, I think, two points worthy of note. First, Premier's articles do not permit Mr Laidlaw or any Amerada director to vote on any resolution before the board in respect of any contract between Amerada and Premier. This article has been strictly observed. Second, Premier's rapid growth during the last year, particularly in the highly competitive south-east Asian region, could not have been achieved against a background of conflict of interest, as opposed to the encouragement that Premier has received from Amerada.

Mr Shaw writes that he has the highest regard for Mr Laidlaw's abilities. I expect most of Premier's shareholders will regard this as the deciding factor in voting for his re-election.

E. Barrie Stephens,
chairman,
Premier Oil,
23 Lower Belgrave Street,
London SW1W 0NR, UK

Decline to continue

From Mr Dan Corry.

Sir, Arguments about things as complex as gross domestic product per head at purchasing power parity, and where Britain stands in world league tables, can go on forever, as Robert Chote's discussion points up ("Relative wealth statistics are poor guide", April 23). But there are a number of points worth making.

First, GDP per head is the best measure of the prosperity of a country over the medium term. The government made exactly this point in several of its competitiveness white papers. Of course GDP does not tell us everything about how a nation is doing, but then that is true of any summary statistic.

Second, given how controversial tha measurement issues are, it is clearly best to rely on internationally approved figures. OECD figures show the UK is now in 19th position within the OECD, below, for instance, Ireland. It is true the UK is only slightly behind some of the countries that have overtaken it. But this too should be taken in context. Ireland for instance was well over 30 per cent behind the UK as recently as 1980.

While this dispute will continue, it is hard to dispute that the internationally recognised data point to Britain continuing its relative decline, something that most notice whenever they travel abroad.

Dan Corry,
senior economist,
Institute for Public Policy Research,
30-32 Southampton Street,
London WC2E 7RA, UK

IMF at forefront in urging structural reform in Ukraine

From Mr John Odling-Smee.

Sir, The statement by Mr Jeffrey Sachs, reported by your correspondent in the article "Ukraine to set trading band for its currency" (April 25), that "As usual, the IMF focuses all its attention on the budget deficit and ignores structural reform" is simply incorrect. In Ukraine, as in other countries of the former Soviet Union, the International Monetary Fund has been in the forefront, and uncommonly vocal, in pressing for deregulation, market-based reforms, improvement in governance, and the enforcement of contracts.

The reality is that these are complex matters, and that sovereign governments, even with good intentions, are finding it difficult to deliver change as quickly as we all would wish.

John Odling-Smee,
director,
European II department,
International Monetary Fund,
Washington DC 20431, US

Scenes from the Sixties

William Packer compares the different attitudes of the French and British to the decade

The trouble with history – social, cultural, political or whatever– is that it so seldom falls in with the neat numerical divisions of the calendar. Yet wa fondly persist in believing it does. hlithely shoe-horning the one into the other at risk of all sorts of mental corns and grazes.

Take the Sixties, that now distant, sunlit, squalid, confused and confusing golden age. Whatever else it was, it did not begin on the dot of 1960, nor end with 1969. And how lightly tha name is thrown about to summon up, well, whatever the thrower cares to summon up – student riots, Vietnam and Grosvenor Square, mini-skirts and flower power, Sergeant Pepper and Rock and Roll, tha pill, the Profumo Affair, devaluation and the Thoughts of Chairman Mao.

The trouble is that they were mythologised as they were happening, and myth tends to hang around. Wa really believed all that stuff about freedom and youth and peace and love, a new dawn hreaking with Kennedy, Wilson, Bob Dylan and Cohn-Bendit. It takes a brave man to seek to dispel such myths. But 30 years on is a decent interval, and the cultural historian David Mellor has been making it his business for some time now.

Four years ago, his study of *The Sixties Art Scene in London* was shown at the Barbican, a useful trawl through the work of the years from 1956 to '68 – that is to say from Suez, Budapest and "Blue Suede Shoes" to Prague, the Pound in Our Pocket and "A Whiter Shade of Pale". Now, with Laurent Gervereau, of the Museum of Contemporary History in Paris, whose initiative it was, and Sarah Wilson of the Courtauld, he brings us *Les Sixties*, a comparative look at what was being done in England and France between 1962 and 1973, from *Jules et Jim* and the Beatles' first LP to the oil crisis. *Vivent les differences.*

To English experience, this second timetsble is rather less persuasive than the first, it being more reasonable to anticipate than to prolong. Mellor himself accepts that all the elements that were to make tha Sixties what they were, were already in place by abont 1963 at the very latest – the Beatles, David Hockney, David Bailey, all up and running and Harold Wilson lighting np in the wings.

But France was running to a later, different schedule which was more openly political and intellectual. 1962 saw Charles de Gaulle returned to office, tha Algerian settlement supposedly just resolved, the Franco-German Treaty about to be signed. The student *manifestations* of 1968 were but the mid-way point between the miners' strikes of 1963 and the general strika of 1973.

Such differences emerge in the work itself. Where the French will theorise and strike an attitude, the British will improvise and play about. The British, contrary to stereotype, are hedonistic, of the moment, gently anarchic. tbe French so very much more to tha point. Erró's "Intérieur Américain" has the red guards at the window, bayonets fixed: Pauline Boty'a two proto-feminist paintings, "It's A Man's World", with their heroes and pin-ups, is more ironically indulgent than polemical.

Mellor divides his show into five principle sections, though none is, nor could be, hermetic or definitive. They touch severally npon ths consumer culture, the uses and effects of the media, images of women, the all-pervading inflnence of pop-music and its transmutation into pyschedelia, and finally politics, "Today tbe Struggle: Tomorrow Utopia." There is nothing of ths countervailing formalism of those times, hard-edge and minimalism, and incipient conceptualism, no Yoko Ono. But choices had to be made, and that door is held open by reference to the performance-art and the fizzing light shows and events put on by Mark Boyle and Joan Hills.

It is altogether an intriguing exercise, made all the more so by the curious ambivalence of both the original material and the intention of the organisers. In this week of all weeks, the week of the British general election, the point could hardly be more striking. For, now as then, the viewer's complicity in the utopian vision of the left is assumed, the inference clear, that not to share in it would surely be either stupid or perverse. But what of naivety? Those implacable Red Guards are more than a little worrying. We now know rather more of Mao and his Little Red Book than we did then, and of Ho Chi Minh and Pol Pot. Don't we? And we turn back to Gerald Laing's "Bardot", to Allen Jones's high-heeled dominatrix and Nigel Waymouth's psychedelic extravagance, politically incorrect as they may be, with something like relief.

Les Sixties – Great Britain and France 1962-73, *The Utopion Yenrs*: Brighton Museum and Art Gallery, Church Street, Brighton, until June 29; supported by Visiting Arts and l'Institut Français.

'Bardot', 1964, by Gerald Laing: politically incorrect, and rather a relief

Concert/Andrew Clark

Out of tune with the western soul

It seemed as if the entire Japanese population in the UK had congregated in the Royal Festival Hall on Saturday to hear the Saito Kinen Orchestra under its conductor, Seiji Ozawa. Since founding it in 1984 in memory of the influential Japanesa teacher Hideo Saito, Ozawa has led the orchestra on a series of triumphant international tours and made it the focal point of a summer festival in the Jspanese Alps. Their latest London concert, devoted to Schoenberg's *Verklärte Nacht* and Beethoven's *Eroica* Symphony, reasserted the orchestra'a reputation for immaculately clean, fine-textured playing. This is without question one of the world's elite ensembles, endowed with a level of concentration and motivation befitting a group of musicians who come together once or twice a year for tha fun of it.

By rights, the concert should have been exhilarating. Instead, it was profoundly depressing: to think that so much skill, allied to such great music, should result in such emotional and spiritual aridity. During the opening movement of the Beethoven I found myself fantasising ahout what might happen if another conductor, more in tune with the music's heart and soul, took tbesa players by the scruff and shook them into something less polite, less neatly turned out, but more responsive to the pbysical and moral force of Beethovenian drama.

Perhaps Japanese musicians, however well integrated in western orchestras, revert to national stereotype in a group, technically brilliant hut robotic. How, then, do you explain the feminine softness and sheer eloquence with which tha violins executed the opening theme of the Schoenberg? Or the ethereal restraint of the cellos in the central Adagio? This was peerlessly sensitive musicianship. And how can you blame Japanese stereotyping in an orchestra which numbers Karl Leister, Reinhard Holcb and other distinguished German guests among its players?

The problem lies more with Ozawa. In the rigbt repertoire and with the right orchestra, he can be quite inspiring. But give him the core classics, the ultimate test of a conductor, and he is like a puppet aping the souods and movements of his mentors. Beethoven's opening Allegro con brio sounded streamlined and shapeless, as if some superbly oiled machine had ironed out the disruptive off-beat accents and adrenalin-powered climaxes. The funeral march was majestically impersonal. The Scherzo was saved by a glorious horn trio, the finale by the spring-clean effect of the woodwinds in the fugal variations.

Verklärte Nacht fared better, if only because richness of sonority is intrinsic to it. Ozawa pulled the lines of construction as taut as could be, emphasising the neurotic rather than elegiac quality in the music. On this evidence, Japanese musicians have copied their western counterparts to tbe point where, note for note, they are better than the original. But can they tune in to the western soul?

Sponsored by Yamaichi.

Theatre/Sarah Hemming

Laying a family ghost to rest

It cannot be said that the Royal Court is doing much for the Irish tourist industry at present. The theatre recently staged Martin McDonagh's *Beauty Queen of Leenane*, which was set in a dank cottage in the west of Ireland, featured a miserable old woman and her embittered daughter, and focused on poisoned family ties, loneliness, frustration and dark secrets. Now, here comes Tom Murphy's *Boilegongaire*, which is set in a dank cottage in the west of Ireland, features a miserable old woman and her embittered grand-daughter, and focuses on – well, you've guessed the rest.

Murphy's play, however, is a more serious piece of writing and, it must be said, a more difficult one to appreciate. But gradually it gathers force until by the end you are totally enthralled. And James Macdonald's steadfast production holds your attention with three wonderful performances from Rosaleen Linehan, Brid Brennan and Ruth McCabe.

Linehan plays Mommo, an old woman who spends the entire play in a massive wooden bed. With her startled white hair and vacant eyes, she looks like a character from Beckett – and sounds like one, too, as she embarks on a rambling, absurdly-detailed story that seems to have little to do with anyone on stage. She is tended to hy her grand-daughter Mary, played vividly by Brid Brennan as an intense, intelligent woman whose looks and prospects are beginning to fade.

To begin with, Mommo's story, which she narrates with great flourish, seems remote from Mary and from her blousy sister, Molly (a giddily desperate Ruth McCabe), who comes to visit them. But gradually we realise that the story, which she evidently repeats night after night but never finishes, is a confession of sorts and that at its heart is a guilty secret that affects them all. Soon we are behind Mary, willing Mommo to get to the end of her story and lay whatever ghost it is that haunts them.

The play has a double narrative: that of the events on stage, as Mary and Molly quarrel over what to do with their rambling relative and argue about whose life is the most frustrated, and that of the events in Mommo's agonisingly protracted story. Slowly, the two narratives dove-tail, bringing to a head the pain and despair of all three characters and, as Mommo finally reaches the end of her tale, creating a sense of peace.

Murphy's concern seems to be partly with language itself and the way it can be used to both reveal and conceal. He contrasts the halting speech rhythms of the two younger women with the ornate, almost rococo style employed by Mommo, for whom every word seems chosen to keep the truth, and her own death, at bay.

It is a dense bnt engrossing play and Macdonald's production, though slow in places, pulls you into the story. And Rosaleen Linehan holds the stage with her restless portrayal of a woman suspended painfully between this world and the next.

Royal Court Tbeatre Upstairs, Ambassadors Theatre, London WC2 (0171-565-5000).

Alastair Muir

Rosaleen Linehan: a wonderful performance

Jazz/Garry Booth

Blue notes in a rare acoustic

Sunday is not a very jazzy day of the week. Neither is the Wigmore Hall a spot that springs to mind if you're thinking about blue notes. But some inspired programming has produced a season of small group acoustic concerts that make the music, the place and the day seem a good combination. It is good value too, for each main event is followed by a "club" gig in the downstairs Bechstein Room.

Last Sunday, a trio led by the British clarinettist and saxophonist Tony Coe delivered two wistful sets of understated chamber jazz made for a rapt audience and superior acoustic. To the stealthy accompaniment of longtime sidemen John Horler on piano and Malcom Creese on double bass, Coe improvised ruminatively on a mix of well-worn standards and originals.

He looks a shambles, and has the comfy appeal of an old armchair. His latest CD release, "Blue Jersey", may well be dedicated to one of the old pullovers he favours. But as another jazzer said of him, Coe has the musical mind of chess player. Though he doesn't seem to leave his native Canterbury much, he was the first European ever to win the international Jazzpar prize.

Switching easily between clarinet, soprano and tenor saxophones, 62-year-old Coe explored all the corners of "April In Paris", made a careful brown study of his own "A Song Of Old St Peters" and invoked the gruff spirit of Coleman Hawkins in "Body & Soul". Horler's sparkling and contained runs were the ideal partner for Coe's organised, though wide ranging improvisation: Creese providing vivid yet tranquil colouring for the tunes.

The theme of quietly intelligent extemporisation carries through the season and multi-reeds mephisto John Surman, appears next week; look out also for the guitar double bill of American Jim Hall and British virtuoso Martin Taylor, and a solo outing for pianist Abdullah Ibrahim at the end of May.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw Tel: 31-20-6718345
● Rotterdams Philharmonisch Orkest: with conductor Jurrkn Hempel and soloist Vivianne Hagner in works by Berlioz, Paganini, Debussy and R. Strauss; May 3

■ ATHENS

CONCERT
Athens Concert Hall Tel: 30-1-7282333
● Athens Stata Orchestra: with conductor Karolos Trikolidis and pianist Nikolai Demidenko in works by Beethoven; May 2

■ BERLIN

OPERA
Deutsche Oper Berlin Tel: 49-30-3438401
● Martha oder Der Markt zu Richmond: by von Flotow. Conducted by Sebastian Lang-Lessing. Soloists include Amanda Halgrimson and Herbert Lippert; May 3

■ BONN

EXHIBITION
Kunst- und Austellungshalle der Bundesrepublik Tel: 49-228-9171200
● Dia Grossen Sammlungen VI: selection of works from the collection of the Hermitage Museum in St Petersburg; to May 19

■ GENEVA

CONCERT
Victoria Hall Tel: 41-22-3283573
● Philharmonic Orchestra of St. Petersburg: with conductor Yuri Temirkanov and pianist Constantin Lifchitz in works by Moussorgski, Rachmaninov and Stravinsky; May 3

■ GENOA

EXHIBITION
Palazzo Ducale Tel: 39-10-562440
● Van Dyck a Genova – Grande pittura e collezionismo: exhibition examining tha years Flemish painter Anthony van Dyck (1599-1641) worked in Genoa. The display features around 40 paintings as well as works by artists including Titian, Caravaggio and Rubens; to Jul 13

■ HELSINKI

EXHIBITION
Amos Anderson Art Museum Tel: 358-9-640221
● The Still Life: 200 years in Finland: survey of Finnish still life works from the 1800s up to the present day; to May 11

■ LIVERPOOL

EXHIBITION
Walker Art Gallery Tel: 44-151-2070001
● Sir Lawrence Alma-Tadema: exhibition of work by the painter who was born in the Netherlands, but settled in London in 1870, becoming very popular for his idealised, but accurately detailed and colourful scenes of Greek and Roman life. The exhibition features some 70 paintings, a selection of watercolours and a display of photographs from the artist's own collection showing the influence of photography on his work; to Jun 8

■ LONDON

CONCERT
Royal Festival Hall Tel: 44-171-9604242
● Philharmonia Orchestra: with conductor Kurt Sanderling and violinist Antje Weithaas in works by Mendelssohn and Shostakovich; Apr 30
Wigmore Hall Tel: 44-171-9352141
● Andreas Schmidt: performance by the baritone, accompanied by the pianist Rudolf Jansen. The programme includes works by Brahms; May 1

EXHIBITION
British Museum Tel: 44-171-6361555
● Printmaking in Paris: Picasso and his Contemporaries: exhibition examining developments in printmaking that took place between 1905 and 1970. Organised as a sequence of episodes the display looks first at the Cubist works of Picasso and Braque, then moves on to Matisse, the Surrealists and the post-War work of Soulages and Dubuffet, finishing with pieces by Vasarely, Poliakoff and Manessier; from May 1 to Sep 30
National Portrait Gallery Tel: 44-171-3060055
● Ignatius Sancho (1729-1780): exhibition examining the remarkable life of Sancho, who was born a slave yet died a well-known and respected figure in London's literary, artistic and musical circles; to May 11
Tate Gallery Tel: 44-171-8878000
● Lovis Corinth: retrospective exhibition devoted to Lovis Corinth, one of the pioneers of German Impressionism. The display includes nearly 90 paintings, approximately 20 drawings and watercolours and a selection of prints; ends on Sunday

■ NEW YORK

EXHIBITION
Brooklyn Museum Tel: 1-718-6385000
● American Paintings: display of works taken from the Museum's own collection of paintings from the first half of the 20th century. Featured artists include Florine Stettheimer, Marsden Hartley and Georgia O'Keeffa; to Jun 29
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Human Figure in Transition: American Sculpture from the Museum's Collection 1900-1945: selection of smaller-scale sculptures, illustrating both classical and radical tendencies in representations of the human body in the first half of this century; to Sep 28

OPERA
Metropolitan Opera House Tel: 1-212-362-6000
● Rusalka: by Dvorak. Conducted by John Fiore. Soloists include Renie Fleming, Frances Ginzer and Dolora Zajick; May 3

■ PARIS

CONCERT
Théâtre des Champs-Elysées Tel: 33-1-49525050
● Orchestre National de France: with conductor Patrick Summers, mezzo-soprano Olga Borodina and baritone Dmitri Hovorstovsky in works by Rossini and Donizetti; Apr 30

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44781233
● Chemin faisant, Frere Crayon et Sainte Gomme: Designs de Martial Raysse, 1958-1996: display of 100 drawings by the French artist who came to prominence in the early 1960s as part of the New Realism, quickly gaining a reputation for having a more modern outlook than his more nostalgic peers; to Jun 9
Institut Nierlandais Tel: 33-1-53591240
● Kees Van Dongen retrouvi. L'oeuvre sur papier 1895-1912: display of work by the Dutch artist who settled in Paris in 1897, quickly gaining a reputation as a society painter of wit and sophistication; to Jun 8
Musée d'Art Moderne de la Ville de Paris Tel: 33-1-53674000
● Jurg Sasse: display featuring 26 recent works by the young German photographer who takes snap-shots of everyday life, which are scanned and altered by computerized technology to produce surreal images; to Jun 22

■ STOCKHOLM

EXHIBITION
Nationalmuseum Tel: 46-8-6664250
● Acquisitions From tha Stockholm Exposition of 1897: display marking the 100th anniversary of what is still the largest exhibition ever held in Sweden. A number of works are being exhibited for tha first tima since 1897; from May 1 to Sep 1

■ VALENCIA

EXHIBITION
IVAM Centre Julio Gonzalez Tel: 34-6-3863000
● Bernard Plossu: exhibition of work by the Vietnamese photographer; to May 30

Listing selected and edited by ArtBase The International Arts Database, Amsterdam, The Netherlands. **Tel: 31 20 664 8441. E-mail: artbase@pi.net**

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FINANCIAL TIMES
Tuesday April 29 1997

New Indian government faces crisis over corruption charges

Senior coalition powerbroker will fight $280m allegations

By Mark Nicholson in New Delhi

India's week-old United Front government was yesterday facing its first political crisis as police announced plans to prosecute on corruption charges one of the coalition's senior powerbrokers.

The Central Bureau of Investigation, India's central criminal agency, said formal corruption charges would be laid within a few weeks against Mr Laloo Prasad Yadav, the controversial chief minister of Bihar, one of India's poorest states. He is also president of the Janata Dal, the biggest single party in the UF coalition.

The charges risk aggravating political differences within the 12-party UF a week after a divisive leadership battle ended with the election of Mr IK Gujral as prime minister.

The development also coincides with the emergence of policy differences in the coalition as four leftwing parties in the UF said they intended opposing several proposed reforms in the UF budget.

The opposition Bharatiya Janata party, as well as four leftwing parties within the UF, immediately called for Mr Yadav's resignation. "This is necessary to conform to the norms of public conduct and propriety," the quartet said in a joint statement.

But Mr Yadav resisted, saying he saw no reason to quit and would fight the charges in court. "I am fully confident I will win," he said. Mr Yadav, a tenacious and unorthodox politician, has risen to prominence in Bihar as s self-styled advocate of "empowerment" for the state's lower castes and has cultivated a "rustic", anti-establishment manner.

The charges arise from a 15-month investigation into alleged misappropriations worth up to Rs9.5bn ($280m) over several years from a series of Bihar state schemes to provide subsidised animal feed.

The Central Bureau of Investigation said it would also prosecute 55 others, including one sitting UF minister from Bihar and several Bihar politicians and civil servants.

Mr Yadav's defiance risks deepening political divisions within the Janata Dal and the UF government, already raw from the leadership battle just over a week ago.

Such strains had already prompted the Tamil Maanila Congress, a regional Tamil Nadu party, to withdraw from the United Front. The TMC, which includes Mr P. Chidambaram, finance minister in the last UF government and author of its budget, was yesterday still debating whether to rejoin the coalition.

Should the TMC remain aloof, Mr Gujral would have to pilot the budget's finance bill through the house himself, having kept the finance portfolio in the hope of persuading Mr Chidambaram's party to return to the fold.

The leftwing parties seeking changes in the budget are opposed to proposed stata asset sales and an opening of health insurance to privste sector participation.

Dollar sees new rise

Continned from Page 1

senior economist at Citibank in London, called it "a green light to buy dollars".

Some G7 officials in Washington yesterdsy made more aggressive comments on the dollar. Mr Yasuo Matsushita, the governor of the Bank of Japan, said "the markets will gradually come to understand" the significance of the G7 statement. Strategists read this comment as a threat that Japan would intervene in the market, perbaps alded by other G7 nations, if the dollar rose furtber. Mr Hans Tietmeyer, the Bundesbank president, said the G7 countries did not want an "oversboot" in the foreign exchange markets.

News Corp TV threat

Continued from Page 1

from its new partner, News Corp had also asked for other issues to be resolved before proceeding. EchoStar said the demand that it sbould switch to News Corp's own conditional access system would bave "economic and technological implications", but refused to give more details of the dispute.

News Corp could not be reached for comment, although officials were quoted as saying they expected the merger to proceed once the differences had been resolved.

The row is the latest in a series of setbacks for Mr Murdoch's project.

A plan to beam local broadcast programmes from space, starting this year, has been held up indefinitely by legislative delays.

Italian Northern League suffers election setback

Voters abandon secessionist party for centre-right opposition group

By Robert Graham in Rome

The populist Northern League, which advocates secession from the Italian state, suffered a significant political reverse in Sunday's local elections.

Voters in the rich northern industrial regions of Lombardy, Piedmont and the Veneto seemed to bave deserted the League for the parties in the centre-right opposition alliance beaded by Mr Silvio Berlusconi, the former premier.

The vote for parties in the centre-left Olive Tree coalition government, beaded by Mr Romano Prodi, beld up surprisingly well, in spite of opinion polls sbowing an erosion of support. Compared with last April's general elections, the Olive Tree coalition plus the bardliners of Reconstructed Communism looked set to lose little more than 1 percentage point of its vote nationwide. The Party of the Democratic Left (PDS), the dominant partner in the coalition, maintained its 21 per cent of the vote, while in the north the smaller centrist parties lost ground.

Voters sbunned in large numbers the bombastic secessionist rhetoric of Mr Umberto Bossi, the League leader. With counting still going on last night, it was clear the League had lost its flagship city of Milan wbich it captured in 1993 and turned into a symbol of its new-found political clout.

The League was projected to gain more than 15 per cent of the vote, compared with 40 per cent four years ago. Across the north, with few exceptions, the Leagus suffered similar reverses. This enabled the candidates of the centre-rigbt opposition in the politically crucial cities of Milan and Turin to come out ahead with almost 44 per cent of the vote, though they failed to obtain an absolute majority to win on the first round.

The elections involved 9.4m voters, almost a fifth of the electorate, choosing mayors and councils in 1,115 cities and towns, and six regional sdministrations. It was the first significant test of electoral opinion since the Olive Trea alliance, backed by RC, took office last May.

Local elactions are run under a first-past-the-post system, unlike general elections which have 25 per cent of seats elected by proportional representation.

RC, which is not part of the government hut provides parliamentary support, saw its vote rise to almost 10 per cent. The RC's performance will be decisive in the run-off voting on Msy 11 in many cities – especially Milan and Turin.

Commentators said RC would ba able to exercise increased influence over government policy. This will be important in the negotiations for pension reforms, regarded by the government as vital to cut public spending and sustain a credible budget deficit.

Commentators said Mr Berlusconi's position as leader of the opposition had been eroded by the growing importance of the vote for the rightist National Alliance led by Mr Gianfranco Fini. In a number of towns, the AN vote advanced above that of Mr Berlusconi's Forza Italia movement. Disaffected League votes are believed to have gone to AN in the north rather than to Forza Italia.

Italian voters, Page 2

Steel prices equalise across Europe

Continned from Page 1

year east European exports fell to 4.64m tonnes.

Western exports to eastern Europe are smaller – totalling 827,000 tonnes in 1996.

But they are coocentrated in high-priced products such as stainless and coated steels. Mr Fisb said that the increase in east European prices would now create more import opportunities for western companies.

Import duties, now imposed on EU exports to eastern Europe, are scheduled to be removed in 1999, under agreements between the EU and east European countries.

However, Eurofer, an EU-wide steelmakers' organisation, said that it remained difficult to expand exports to eastern Europe because potential purchasers rarely had cash to pay for orders.

Granting credit was "risky", said a Eurofer official.

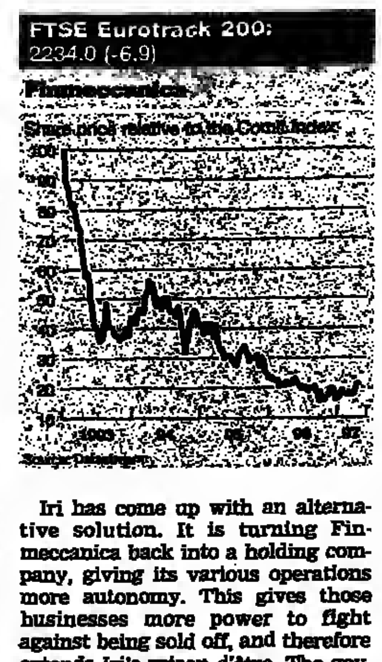
THE LEX COLUMN

Angst at Andersen

For a business atuffed with corporate strategists, the messiness of Andersen Worldwide'a structure – currently the source of much internal angst – is truly amazing. Theoretically, AW brings together Arthur Andersen (accountants) with Andersen Consulting (consultants). Yet although resources, training and even profits are shared according to a murky formula, the two businesses are staffed and run separately. Little attempt is made to direct clients of the one in the other's direction. On the contrary, the growth of Arthur Andersen'a consultancy business means they increasingly compete.

But does this matter much? It is difficult to believe so. There is certainly a case for further disentangling the two businesses' financial arrangements to reduce unnecessary friction, if this can be done while preserving the value of a mutually beneficial brand. But if it cannot, rivals would be unwise to crow. AW may have a peculiar and fractious structure hut it has not done its business much harm. The spectacular growth of Andersen Consulting, in particular, has left the more integratad accountant/consultant combines standing. And its unusual freedom from the accounting culture is one of the more persuasive explanations.

FTSE Eurotrack 200:
2234.0 (-6.9)



Iri

The world's defence industry is pursuing a strategy of wholesala consolidation, bnt Italy'a Finmeccanica may miss out because it is too husy fighting Byzantine power struggles with its owner, Iri. Iri was set np as the state-led engine for economic recovery, but it has become a destroyer of economic value. It is a huffer between state industry and government – a holding company for holding companies – which has done little to foster management accountability. By comparison, since control of Stet, the Italian tele-communications group, was passed from Iri to the treasury, Stet's structure has been rationalised and new management introduced – and its share price has soared. The latest row over Finmeccanica suggests it is high time Iri's remaining industrial holdings got the treasury treatment.

Finmeccanica has underperformed the Italian stock market by 79 per cent since 1993, as it accumulated losses. But the management finally realised that Finmeccanica had to restructure or die.

Iri has come up with an alternative solution. It is turning Finmeccanica back into a holding company, giving its various operations more autonomy. This gives those businesses more power to fight against being sold off, and therefore extends Iri's raison d'être. The government should make a counter-proposal – to shut down the costly Iri, and let tha treasury accelerate the privatisation process. If it does not, there could be little left to sell.

CVRD

The Brazilian legal system permitting, today should finally witness the privatisation of Brazil's CVRD, the world's largest iron ore producer. If the form book is to be believed, the Valecon consortium, including South Africa's Anglo American and Grupo Votorantim, Brazil's largest family company, will prevail. Certainly the synergies are more compelling than with the rival CSN consortium, which has played tha reluctant bidder with some conviction.

For Anglo, CVRD offers a unique opportunity to become overnight a buge force in the iron ore market. Votorantim, meanwhile, can lick its lips at the benefits to be garnered from access to the CVRD's buge rail network. But whether shareholders should cheer is more questionable. The value of the assets is not in doubt. But the tight security around the Rio de Janeiro stock exchange is a sobering reminder of how difficult it may prove to realise this value. The hostile political climate precludes any wholesale job cuts or restructuring. Perhaps it is just as well that two family companies, famous for taking the long view, are odds-on favourites to auceed in today's auction.

Cadbury Schweppes

International food/drink companies from Unilever to Danone to Coca Cola have won over the investment palate of late, hut Cadbury Schweppes has remained too bitter-sweet. And until its management ontlines a more convincing strategy for the soft drinks husiness, it will struggle to win a rerating.

Cadbury's problem is that it is a distant third in the US soft drinks market, against formidable competitors which control their own distribution. And its international presence scarcely registers. Cadhury's route to the US market is on the back of Coke. PepsiCo, and a motley crew of independent bottlers – an unenviable position. So while Cadbury continues to increase drinks profits, a growing risk rating is heing attached to that profit stream. The management needs to help convert the independent bottlers into a viable competitive force by encouraging rapid consolidation. That would create a stronger safety net. And if PepsiCo launches a competitor to 7-Up, as expected, safety nets will he in high demand.

However, it should be possible to strengthen the independent system substantially over the next few years. And the rewards would be considarahle. Cadhury's shares trade at a price-earnings discount to the market. But successful global branded businesses attract premium prices, as Procter & Gamble's Tambrands acquisition ahows.

Hambros

It was always ironic that Hambros advised the near-bidders for the Co-operative Wholesale Society, a sprawling quirk of history crying out for restructuring. Hambros itself, after all, has its own aggressive shareholder complaining of years of underperformance and demanding reform of the bank's antiquated structure.

CWS should not use yesterday's apology from Hambros as an excuse to avoid necessary changes. But by the same token, this embarrassing episode should encourage Hambros, too, to think long and hard about the virtues of a break-up and thus greater management focus.

Additional Lex note on Halifax, Page 25

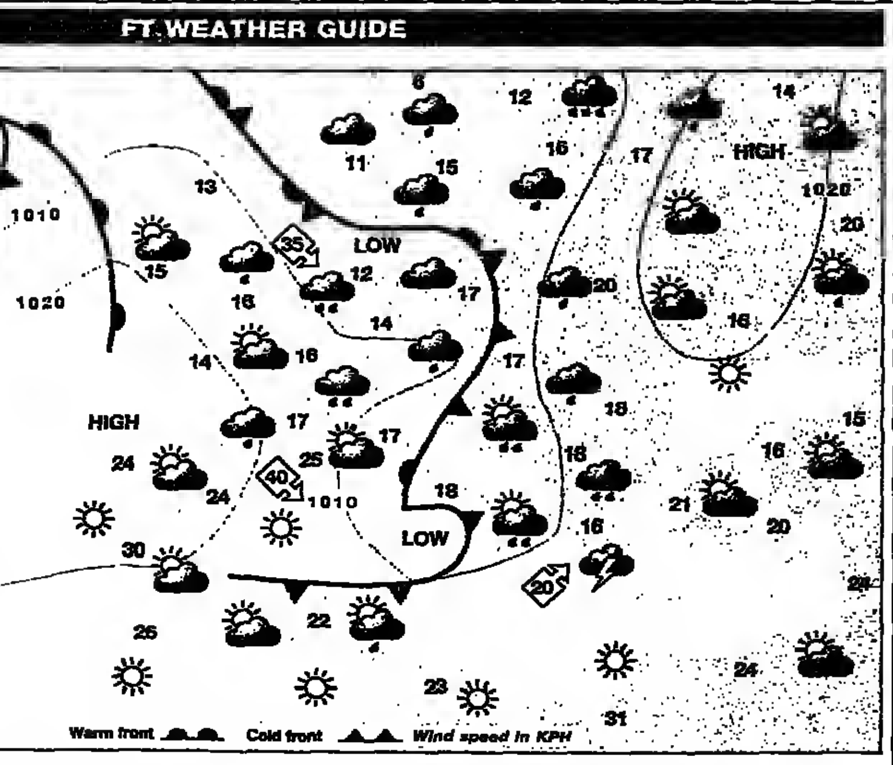
FT WEATHER GUIDE

Europe today

Most of central Europe and southern Scandinavia will have rain, with maximum temperatures between 12C and 17C.
Eastern Europe will be warmer with sunny spells. A few scattered thunder showers may occur during the afternoon.
The Benelux, UK and western France will be mostly cloudy with temperatures between 12C and 17C. A shower is possible, especially in the morning.
Most of Spain and Portugal will be rather sunny and warm with temperatures exceeding 30C in the south.

Five-day forecast

High pressure will steadily expand towards western and central Europe, and most regions will turn drier and warmer. Only the UK, southern Scandinavia and the northern Benelux will stay rather cool.
South-western Europe will be sunny and warm. South-eastern Europe will turn rather cool and unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum		Beijing	sun 21	Caracas	sun 31	Faro	sun 26	Madrid	fair 28	Rangoon	sun 35
Celsius		Belfast	cloudy 15	Cardiff	cloudy 15	Frankfurt	rain 14	Majorca	sun 22	Reykjavik	rain 8
Abu Dhabi	sun 34	Belgrade	shower 17	Casablanca	sun 24	Geneva	rain 14	Malta	fair 20	Rio	cloudy 28
Accra	shower 32	Berlin	cloudy 15	Chicago	fair 22	Gibraltar	sun 25	Manchester	fair 14	Rome	rain 18
Algiers	fair 22	Bermuda	fair 25	Cologne	rain 13	Glasgow	fair 14	Manila	fair 35	S. Frsco	fair 17
Amsterdam	shower 12	Bogota	fair 18	Dakar	sun 27	Hamburg	rain 14	Melbourne	fair 26	Seoul	rain 21
Athens	shower 17	Bombay	sun 34	Dallas	sun 28	Helsinki	rain 12	Mexico City	sun 26	Singapore	fair 32
Atlanta	shower 22	Brussels	rain 12	Delhi	fair 34	Hong Kong	shower 25	Miami	fair 29	Stockholm	cloudy 12
B. Aires	sun 25	Budapest	shower 18	Dubai	sun 33	Honolulu	fair 30	Milan	fair 17	Strasbourg	rain 15
B.ham	cloudy 15	C.hagen	rain 12	Dublin	cloudy 17	Istanbul	fair 17	Montreal	fair 13	Sydney	sun 24
Bangkok	shower 37	Cairo	fair 26	Dubrovnik	shower 16	Jakarta	shower 31	Moscow	fair 17	Tangier	sun 27
Barcelona	fair 19	Cape Town	sun 22	Edinburgh	cloudy 14	Jersey	fair 13	Munich	rain 15	Tel Aviv	fair 23
						Karachi	fair 34	Nairobi	shower 26	Tokyo	sun 24
						Kuwait	sun 30	Naples	shower 17	Toronto	sun 18
						L. Angeles	sun 18	Nassau	shower 30	Vancouver	shower 13
						Las Palmas	sun 26	New York	sun 18	Venice	fair 15
						Lima	cloudy 24	Nice	fair 23	Vienna	rain 15
						Lisbon	sun 28	Nicosia	sun 23	Warsaw	shower 16
						London	cloudy 15	Oslo	cloudy 14	Washington	fair 21
						Lux.bourg	rain 12	Paris	cloudy 17	Wellington	fair 16
						Lyon	shower 17	Perth	shower 20	Winnipeg	rain 12
						Madeira	sun 23	Prague	drzzl 15	Zurich	rain 12

FINANCIAL TIMES
Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Tuesday April 29 1997

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Monetary union

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The UK needs Europe, and Europe needs the UK. The fortunes of British business are inextricably linked with the preservation and extension of the single market, which rests in turn on continued UK participation in the political structures of the EU. More broadly, the UK's influence in the world is increasingly a function of its membership of the EU. Disengagement is not an option any government could responsibly contemplate.

Britain also has much to contribute, politically and economically. The coming years will determine whether the EU can reform its internal institutional and economic structures in a way that will permit enlargement to the east and an open and confident approach to the world. The influence of the UK should be crucial in this respect. And whether or not it chooses to engage in every aspect of European integration, the economic and political well-being of the country will be shaped to a significant extent by that of the EU as a whole.

The Financial Times has no party affiliations, and its readers make np their own minds about how they vote. Its opinions are shaped by a belief in the market economy, free trade and the creation of an outward-looking Europe. This has made it a natural supporter of the Conservative party in elections over the years. But there have been exceptions. 1997 is one of them.

Dollars talk

This time, it seems, they really mean it. The finance ministers of the Group of Seven industrial nations agreed in Washington this weekend that the rise in the dollar had gone quite far enough. They said it first at their meeting in Berlin on February 7. This time, the words were perceptibly tougher. Since Berlin the dollar has risen a further 2.4 per cent against a trade-weighted index of currencies and, more important, by 3.2 per cent against the yen.

It is not surprising that the markets yesterday greeted the latest pronouncement with something of a yawn. Official intervention on a big scale is a mere wisp of e threat. Interest rates show no sign of moving to favour a weaker dollar. There are other reasons for not becoming over-excited by its present level, despite the rise since April 1995 of 20 per cent trade weighted and 53 per cent against the yen.

That rise started as a correction, cheered on by the world's financial leaders, and has not yet returned the US currency to its value against the yen in January 1993. So why has Mr Robert Rubin, the US Treasury Secretary, been expressing (cautious) concern? The reason is the increasing volume of imports to the US, particularly of Japanese manufactured goods.

The latest figures on automobile imports, now running around 40 per cent above last year's levels, have revived painful memories of the 1980s when Japanese imports caused deep wounds to uncompetitive US industries and threw many workers out of their jobs.

But the dollar is now less than half its value against the yen compared with the first half of 1985. More important, the US economy has become stronger, is running flat out at full employment and is benefiting from the mild counter-inflationary push of a strong dollar. On the other hand, the Japanese economy, still weighed down by an overhang of debt, is set to decelerate this year as a result of recent increases in taxes.

Although a recurring theme of US policy has been that Japan should reduce its dependence on exports by stimulating the domestic economy, the Japanese government does not see this as an option. Japanese interest rates are as low as they could be, and a government deficit of 7 per cent of GDP gives little room for fiscal loosening.

Nevertheless there are dangers of a further rise in the US currency, which may be as much political as economic. The ugly cries of protectionism and xenophobia have been muted during the US recovery, but rising interest rates, a stronger dollar and a reversal of the recent employment trends could revive them all too quickly.

For this reason, as well as a desire to protect the international value of domestic assets, Japan also has an interest in restraining the dollar's rise. However, the markets confidently expect US interest rates to rise relative to those in Japan. So, whatever the G7 may hope for, the question remains: is anyone listening out there?

Targeted by Washington

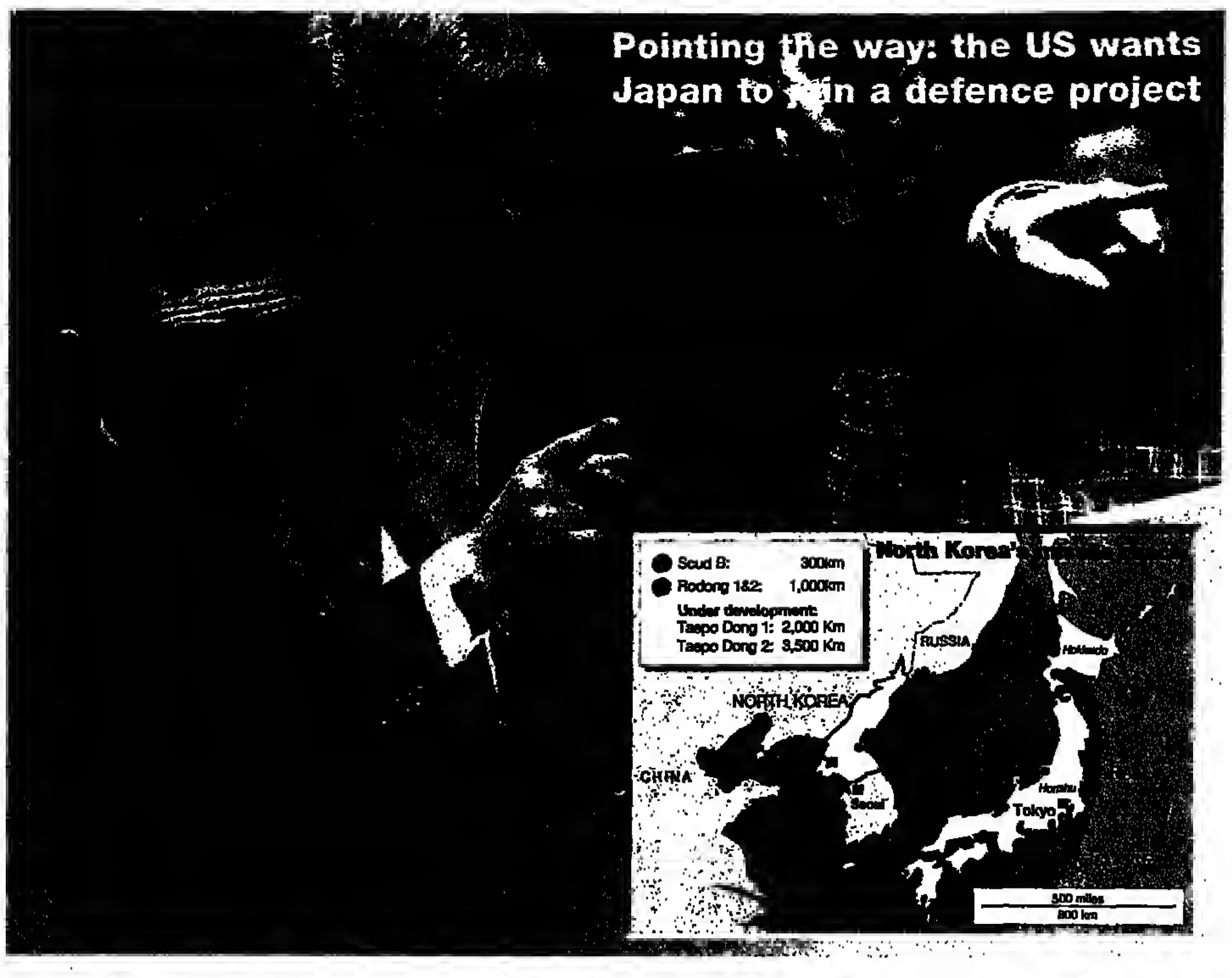
US pressure to join an anti-missile project has put the Japanese government in a difficult position, says Gwen Robinson

For almost 50 years after the end of the second world war Japan relied for its defence needs on the shelter of the US nuclear umbrella. Under its constitution – often described as pacifist – the country has stayed out of international alliances and its armed forces have developed along purely defensive lines.

But in 1993, Japanese complacency was shattered when a North Korean missile plopped into the Sea of Japan, just off the country's west coast. Tokyo learnt of the test firing only when Washington passed on the news – a blunt reminder of the country's security inadequacies.

In recent weeks, fears have been rekindled by reports that North Korea has deployed Rodong-1 missiles, capable of reaching most parts of Japan. Statements by Mr Hwang Jang Yop, the high-ranking North Korean defector, that Pyongyang is "capable of scorching" Japan as well as South Korea with nuclear and chemical weapons heve emphasised the country's vulnerability.

These events have given added impetus to tha talks between Tokyo and Washington over US proposals for the joint development of e sophisticated anti-ballistic missile system known as the Theatre Missile Defence project. Mr Ryutaro Hashimoto, Jepan's prime minister, has promised a decision later this year – aware of growing American pressure on Japan to shoulder more of the Asian regional defence burden.



Pointing the way: the US wants Japan to join a defence project

But in Japan, the proposal to join the project has put the government in e difficult position. Participation would place unwelcome strain on the defence budget, alarm neighbours and almost certainly force the country to revise its constitution.

As a Japanese official puts it: "We don't want to say yes and we don't want to say no; but it's hard to see how there can be a soft landing for this issue."

On paper, Japan's military strength looks impressive – it ranks among the world's four largest military spenders. It has ample shiny, new equipment – including state-of-the-art airborne warning and control systems (Awacs), sophisticated military electronics, and Aegis destroyers equipped with Patriot anti-missile systems.

But in modern warfare terms, the Japanese military – called the "Self-Defence Forces" – is rather like a warrior samurai swinging a very blunt sword. Not only is it without a nuclear deterrent, it has no deep-water navy and only limited ability to reach potential enemies.

Defence spending for the current year has risen by just under 2 per cent to Y4,940bn (£24bn) with almost half going on personnel-related costs and around 12 per cent on maintaining US forces in Japan, less than a fifth is spent on defence equipment.

Washington has been pushing Japan to participate in the Theatre Missile Defence project since 1993, arguing Japan has been able to establish itself as an economic power while sheltering under US protection. The project aims to develop a system capable of protecting limited areas, or "theatres", from tactical missiles with a range of about 3,000km.

TMD systems use spy satellites to detect hostile missile launches and relay signals to advanced land or sea-based anti-missile eystems which intercept and destroy the missiles. However, the Japanese have in the past been sceptical abont snch systems: the precision required to hit and destroy incoming missiles is greater than "shooting down a bullet fired from a pistol", according to one defence official.

A similar anti-missile defence programme to develop a "Theatre High-Altitude Area Defence" system for the US army has failed all four trials – the latest on March 8 – missing targets by a wide range.

Recently, however, Japanese interest in TMD co-operation has discreetly revived. In the financial year which ended in March, the government allocated Y440m for preliminary research on the project, and requested leading defence contractors to study ways they could contribute.

Executives at one leading Japanese defence contractor, which has been studying missile production since the early days of President Ronald Reagan's Strategic Defence Initiative, say the industry is already gearing up for participation. Defence companies see the TMD project as an opportunity to move into international markets and reverse the steady decline of the industry.

The industry grew strong on government contracts in the 1970s and 1980s, at one point capturing 70 per cent of the country's total military procurement budget. Contractors eagerly ploughed money into R&D, co-operated fully with each other and trained new generations of military engineers.

This fostered a peculiarly Japanese brand of "techno-nationalism", according to Professor Richard Samuels, a specialist on Japanese defence at the Massachusetts Institute of Technology.

"Defence technology was valued for its ability to elevate the capacities of the economy as well as to produce military hardware; defence production became firmly embedded in the institutions of the commercial economy," he says.

However, spending cuts on frontline equipment combined with greater competition from foreign suppliers – particularly in the US – have left Japanese companies with a declining income.

The 20 biggest contractors, led by Mitsubishi Heavy Industries, are shifting increasingly to civilian commercial production. They are also demanding a lifting of the ban on weapons exports – introduced in the 1970s after a scandal over sales abroad. And they have recently established an industry forum with leading US defence contractors.

"This happened only because both governments asked the private sector to promote relations," says a defence industry spokesman with Keidanren, the leading business organisation. "The Japanese government clearly feels it's time to start a dialogue."

However, there are constitutional and political obstacles to Japanese participation in the TMD project. Full involvement would probably require a complete overhaul of the country's "pacifist" constitution, which rules out involvement in collective defence arrangements.

Supporters of the project say that may be a good thing and wonld move Japan toward becoming "a normal country", e term coined by Mr Ichiro Ozawa, the main opposition leader. But it would draw fierce opposition from Japan's powerful pacifist lobby, endangering the survival of any government.

Worse, it would almost certainly provoke neighbouring military powers – notably China and North Korea – to develop their offensive capabilities further. China implied such threats in complaints last year to the United Nations abont Japan's missile defence deliberations.

For Tokyo's financial mandarins, a primary concern is the cost of the project. Japanese contractors and officials estimate it could be as much as $150bn – and thet Japan would be expected to bear at least half the costs.

But the Pentagon claims a basic capability could be developed for as little as $4.5bn. And early calculations have shown that developing an efficient system would cost at least $40bn.

However, the limited history of collaboration between the US and Japan on defence projects is not encouraging. The only example is the joint development of the F-2, known until recently as the FSX fighter jet, which ran way over schedule and has been dogged by disputes over budgets and exchange of defence technologies.

Privately, defence officials and industry executives say that Japan, reliant as it is on the US nuclear umbrella, will have no choice but to agree to some form of participation in the project. Washington is already pressing for Japanese forces to support US forces in times of emergency under a current review of US-Japan security co-operation, due for completion in September.

"New infrastructure is necessary because Japan's defence systems must be updated, now we know how big the missile threat is," says another defence industry executive. "But we never looked at it because the US was always responsible and Japan needed to keep only a minimum defence capability."

Tokyo is keenly aware that its insular defence policy will have to change. Partly in preparation, Japan's defence forces have been moving toward a leaner, technologically more sophisticated military structure.

The transition, however, has brought new realisation, according to Barbara Wanner, a political analyst with the Washington-based Japan Economic Institute. Joint projects with the US on weapons systems may be the only way for Japan to afford military innovations while preserving domestic defence technological capability.

Government officials suggest the most likely outcome of the negotiations over the TMD project is Japan'e initial agreement to partial participation – with a view to stepping up involvement gradually. This would have several advantages for Japan: the Americans would be mollified, if not happy; there would be little domestic fuss; Japanese industry would gain access to the project; and expenditure – at least at early stages – would not be significantly large.

A little bit of yes and a little bit of no: in the eyes of many, an appropriately Japanese response.

OBSERVER

[illegible]

... however, will be followed by awkward questions over the appalling security lapse that enabled Marxist guerrillas to masquerade as waiters and gain entry to a lavish reception hosted by Aoki in honour of the Japanese emperor's birthday.

Even so, he's keen to return to Peru as Japan's ambassador. "People of my generation are workaholics. I want to go back as soon as possible." That's the Samurai spirit.

Euro-pals

■ Helmut Kohl's feelings for Jacques Chirac grow ever warmer. [illegible]

[illegible] In response to questioning, he said that if he possessed Chirac's constitutional right to call an early election, he might very well do the same as the French president. The chancellor, 67, has announced his intention to campaign again next year, when the German general election is fixed for October, just three months before the single currency is supposed to be introduced.

Cardinal error

■ The Lord cannot always provide when the Catholic Church gets mixed up with banks which run into trouble. In this case the Monte de Piedad [illegible]

Dutch treat

■ There's an intriguing tussle under way for national supremacy between the burghers of Rotterdam and Amsterdam. Citizens in Rotterdam, home of football club Feyenoord, were quick to gloat last week at the humiliation of Amsterdam's Ajax team by Juventus. But, not content with that, the Netherlands' [illegible] southern port also seems bent on undermining some of the publicity surrounding the capital as it prepares to host June's European Union summit.

Schelto Patijn, Amsterdam's mayor, recently wrote to foreign correspondents inviting them to spend May 14 with him and municipal officials. Now comes a [illegible]

[illegible] than the Amsterdam summit – but then maybe not.

Some bottle

■ Observer was privileged to overhear the following exchanges in an emporium in Mayfair, one of London's smartest districts, at the weekend. Well-dressed customer to charming assistant: "Do you know anything about wine?" Told that she did not, the customer suggested: "Send me someone who does." The not-quite-so charming assistant retorted: "We don't have anyone." At which point the customer's *sangfroid* slipped: "What's the point of selling wine if you know nothing about it?" Came the reply: "What's the point of buying wine if you know nothing about it?" *Touché*.

Financial Times

100 years ago

Trade in Mexico
British trade in Mexico, we are told in a Consular report on the trade of Vera Cruz, suffers from the exercise of too much economy in the employment of agents and travellers, and too little regard being paid to the question of nationality; for our Consul points out that there is no doubt that in commercial competition the question has a greater influence than is generally acknowledged. It appears that British merchants are in the habit of placing their interests in the hands of foreigners to save the expense of educating travellers of their own nationality. Trade secrets may thus be disclosed to competitors in other countries.

50 years ago

Swedish Trade With Japan
Stockholm, 28th April. Many Swedish companies are interested in resuming trade with Japan, and official contacts have been opened with the United States occupation authorities in Tokyo. It is expected that several Swedish representatives will be among the 400 businessmen to be invited by the Americans.

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Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

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Mr John Major would find it very difficult to sustain his sensible wait-and-see approach towards European monetary union now that so many of his own MPs have publicly ruled out ever joining the project. He would have enormous trouble in reaching agreement with the rest of the EU on a new treaty et the intergovernmental conference, or indeed on almost anything. The risk, despite the inclinations of the present leadership, is that a re-elected Conservative government could find itself drifting further away from its European partners, even to the point where membership of the EU itself came into question.

The UK needs Europe, and Europe needs the UK. The fortunes of British business are inextricably linked with the preservation and extension of the single market, which rests in turn on continued UK participation in the political structures of the EU. More broadly, the UK's influence in the world is increasingly a function of its membership of the EU. Disengagement is not an option any government could responsibly contemplate.

Britain also has much to contribute, politically and economically. The coming years will determine whether the EU can reform its internal institutional and economic structures in a way that will permit enlargement to the east and an open and confident approach to the world. The influence of the UK should be crucial in this respect. And whether or not it chooses to engage in every aspect of European integration, the economic and political wellbeing of the country will be shaped to a significant extent by that of the EU as a whole.

The Financial Times has no party affiliations, and its readers make np their own minds about how they vote. Its opinions are shaped by a belief in the market economy, free trade and the creation of an outward-looking Europe. This has made it a natural supporter of the Conservative party in elections over the years. But there have been exceptions. 1997 is one of them.

Dollars talk

This time, it seems, they really mean it. The finance ministers of the Group of Seven industrial nations agreed in Washington this weekend that the rise in the dollar had gone quite far enough. They said it first at their meeting in Berlin on February 7. This time, the words were perceptibly tougher. Since Berlin the dollar has risen a further 2.4 per cent against a trade-weighted index of currencies and, more important, by 3.2 per cent against the yen.

It is not surprising that the markets yesterday greeted the latest pronouncement with something of a yawn. Official intervention on a big scale is a mere wisp of e threat. Interest rates show no sign of moving to favour a weaker dollar. There are other reasons for not becoming over-excited by its present level, despite the rise since April 1995 of 20 per cent trade weighted and 53 per cent against the yen.

That rise started as a correction, cheered on by the world's financial leaders, and has not yet returned the US currency to its value against the yen in January 1993. So why has Mr Robert Rubin, the US Treasury Secretary, been expressing (cautious) concern? The reason is the increasing volume of imports to the US, particularly of Japanese manufactured goods.

The latest figures on automobile imports, now running around 40 per cent above last year's levels, have revived painful memories of the 1980s when Japanese imports caused deep wounds to uncompetitive US industries and threw many workers out of their jobs.

But the dollar is now less than half its value against the yen compared with the first half of 1985. More important, the US economy has become stronger, is running flat out at full employment and is benefiting from the mild counter-inflationary push of a strong dollar. On the other hand, the Japanese economy, still weighed down by an overhang of debt, is set to decelerate this year as a result of recent increases in taxes.

Although a recurring theme of US policy has been that Japan should reduce its dependence on exports by stimulating the domestic economy, the Japanese government does not see this as an option. Japanese interest rates are as low as they could be, and a government deficit of 7 per cent of GDP gives little room for fiscal loosening.

Nevertheless there are dangers of a further rise in the US currency, which may be as much political as economic. The ugly cries of protectionism and xenophobia have been muted during the US recovery, but rising interest rates, a stronger dollar and a reversal of the recent employment trends could revive them all too quickly.

For this reason, as well as a desire to protect the international value of domestic assets, Japan also has an interest in restraining the dollar's rise. However, the markets confidently expect US interest rates to rise relative to those in Japan. So, whatever the G7 may hope for, the question remains: is anyone listening out there?

Targeted by Washington

US pressure to join an anti-missile project has put the Japanese government in a difficult position, says **Gwen Robinson**

Pointing the way: the US wants Japan to join a defence project

For almost 50 years after the end of the second world war Japan relied for its defence needs on the shelter of the US nuclear umbrella. Under its constitution – often described as pacifist – the country has stayed out of international alliances and its armed forces have developed along purely defensive lines.

But in 1993, Japanese complacency was shattered when a North Korean missile plopped into the Sea of Japan, just off the country's west coast. Tokyo learnt of the test firing only when Washington passed on the news – a blunt reminder of the country's security inadequacies.

In recent weeks, fears have been rekindled by reports that North Korea has deployed Rodong-1 missiles, capable of reaching most parts of Japan. Statements by Mr Hwang Jang Yop, the high-ranking North Korean defector, that Pyongyang is "capable of scorching" Japan as well as South Korea with nuclear and chemical weapons heve emphasised the country's vulnerability.

These events have given added impetus to tha talks between Tokyo and Washington over US proposals for the joint development of e sophisticated anti-ballistic missile system known as the Theatre Missile Defence project. Mr Ryutaro Hashimoto, Jepan's prime minister, has promised a decision later this year – aware of growing American pressure on Japan to shoulder more of the Asian regional defence burden.

But in Japan, the proposal to join the project has put the government in e difficult position. Participation would place unwelcome strain on the defence budget, alarm neighbours and almost certainly force the country to revise its constitution.

As a Japanese official puts it: "We don't want to say yes and we don't want to say no; but it's hard to see how there can be a soft landing for this issue."

On paper, Japan's military strength looks impressive – it ranks among the world's four largest military spenders. It has ample shiny, new equipment – including state-of-the-art airborne warning and control systems (Awacs), sophisticated military electronics, and Aegis destroyers equipped with Patriot anti-missile systems.

But in modern warfare terms, the Japanese military – called the "Self-Defence Forces" – is rather like a warrior samurai swinging a very blunt sword. Not only is it without a nuclear deterrent, it has no deep-water navy and only limited ability to reach potential enemies.

Defence spending for the current year has risen by just under 2 per cent to Y4,940bn (£24bn) with almost half going on personnel-related costs and around 12 per cent on maintaining US forces in Japan, less than a fifth is spent on defence equipment.

Washington has been pushing Japan to participate in the Theatre Missile Defence project since 1993, arguing Japan has been able to establish itself as an economic power while sheltering under US protection. The project aims to develop a system capable of protecting limited areas, or "theatres", from tactical missiles with a range of about 3,000km.

TMD systems use spy satellites to detect hostile missile launches and relay signals to advanced land or sea-based anti-missile eystems which intercept and destroy the missiles. However, the Japanese have in the past been sceptical abont snch systems: the precision required to hit and destroy incoming missiles is greater than "shooting down a bullet fired from a pistol", according to one defence official.

A similar anti-missile defence programme to develop a "Theatre High-Altitude Area Defence" system for the US army has failed all four trials – the latest on March 8 – missing targets by a wide range.

Recently, however, Japanese interest in TMD co-operation has discreetly revived. In the financial year which ended in March, the government allocated Y440m for preliminary research on the project, and requested leading defence contractors to study ways they could contribute.

Executives at one leading Japanese defence contractor, which has been studying missile production since the early days of President Ronald Reagan's Strategic Defence Initiative, say the industry is already gearing up for participation. Defence companies see the TMD project as an opportunity to move into international markets and reverse the steady decline of the industry.

The industry grew strong on government contracts in the 1970s and 1980s, at one point capturing 70 per cent of the country's total military procurement budget. Contractors eagerly ploughed money into R&D, co-operated fully with each other and trained new generations of military engineers.

This fostered a peculiarly Japanese brand of "techno-nationalism", according to Professor Richard Samuels, a specialist on Japanese defence at the Massachusetts Institute of Technology.

"Defence technology was valued for its ability to elevate the capacities of the economy as well as to produce military hardware; defence production became firmly embedded in the institutions of the commercial economy," he says.

However, spending cuts on frontline equipment combined with greater competition from foreign suppliers – particularly in the US – have left Japanese companies with a declining income.

The 20 biggest contractors, led by Mitsubishi Heavy Industries, are shifting increasingly to civilian commercial production. They are also demanding a lifting of the ban on weapons exports – introduced in the 1970s after a scandal over sales abroad. And they have recently established an industry forum with leading US defence contractors.

"This happened only because both governments asked the private sector to promote relations," says a defence industry spokesman with Keidanren, the leading business organisation. "The Japanese government clearly feels it's time to start a dialogue."

However, there are constitutional and political obstacles to Japanese participation in the TMD project. Full involvement would probably require a complete overhaul of the country's "pacifist" constitution, which rules out involvement in collective defence arrangements.

Supporters of the project say that may be a good thing and wonld move Japan toward becoming "a normal country", e term coined by Mr Ichiro Ozawa, the main opposition leader. But it would draw fierce opposition from Japan's powerful pacifist lobby, endangering the survival of any government.

Worse, it would almost certainly provoke neighbouring military powers – notably China and North Korea – to develop their offensive capabilities further. China implied such threats in complaints last year to the United Nations abont Japan's missile defence deliberations.

For Tokyo's financial mandarins, a primary concern is the cost of the project. Japanese contractors and officials estimate it could be as much as $150bn – and thet Japan would be expected to bear at least half the costs.

But the Pentagon claims a basic capability could be developed for as little as $4.5bn. And early calculations have shown that developing an efficient system would cost at least $40bn.

However, the limited history of collaboration between the US and Japan on defence projects is not encouraging. The only example is the joint development of the F-2, known until recently as the FSX fighter jet, which ran way over schedule and has been dogged by disputes over budgets and exchange of defence technologies.

Privately, defence officials and industry executives say that Japan, reliant as it is on the US nuclear umbrella, will have no choice but to agree to some form of participation in the project. Washington is already pressing for Japanese forces to support US forces in times of emergency under a current review of US-Japan security co-operation, due for completion in September.

"New infrastructure is necessary because Japan's defence systems must be updated, now we know how big the missile threat is," says another defence industry executive. "But we never looked at it because the US was always responsible and Japan needed to keep only a minimum defence capability."

Tokyo is keenly aware that its insular defence policy will have to change. Partly in preparation, Japan's defence forces have been moving toward a leaner, technologically more sophisticated military structure.

The transition, however, has brought new realisation, according to Barbara Wanner, a political analyst with the Washington-based Japan Economic Institute. Joint projects with the US on weapons systems may be the only way for Japan to afford military innovations while preserving domestic defence technological capability.

Government officials suggest the most likely outcome of the negotiations over the TMD project is Japan'e initial agreement to partial participation – with a view to stepping up involvement gradually. This would have several advantages for Japan: the Americans would be mollified, if not happy; there would be little domestic fuss; Japanese industry would gain access to the project; and expenditure – at least at early stages – would not be significantly large.

A little bit of yes and a little bit of no: in the eyes of many, an appropriately Japanese response.

OBSERVER

Savouring the sushi

[illegible] however, will be followed by awkward questions over the appalling security lapse that enabled Marxist guerrillas to masquerade as waiters and gain entry to a lavish reception hosted by Aoki in honour of the Japanese emperor's birthday.

Even so, he's keen to return to Peru as Japan's ambassador. "People of my generation are workaholics. I want to go back as soon as possible." That's the Samurai spirit.

Euro-pals

■ Helmut Kohl's feelings for Jacques Chirac grow ever warmer. [illegible]

[illegible] Sun.

In response to questioning, he said that if he possessed Chirac's constitutional right to call an early election, he might very well do the same as the French president. The chancellor, 67, has announced his intention to campaign again next year, when the German general election is fixed for October, just three months before the single currency is supposed to be introduced.

Cardinal error

■ The Lord cannot always provide when the Catholic Church gets mixed up with banks which run into trouble. In this case the Monte de Piedad [illegible]

[illegible]

Dutch treat

■ There's an intriguing tussle under way for national supremacy between the burghers of Rotterdam and Amsterdam. Citizens in Rotterdam, home of football club Feyenoord, were quick to gloat last week at the humiliation of Amsterdam's Ajax team by Juventus. But, not content with that, the Netherlands' great southern port also seems bent on undermining some of the publicity surrounding the capital as it prepares to host June's European Union summit.

Schelto Patijn, Amsterdam's mayor, recently wrote to foreign correspondents inviting them to spend May 14 with him and municipal officials; now comes a [illegible]

[illegible] than the Amsterdam summit – but then maybe not.

Some bottle

■ Observer was privileged to overhear the following exchanges in an emporium in Mayfair, one of London's smartest districts, at the weekend. Well-dressed customer to charming assistant: "Do you know anything about wine?" Told that she did not, the customer suggested: "Send me someone who does." The not-quite-so charming assistant retorted: "We don't have anyone." At which point the customer's sangfroid slipped: "What's the point of selling wine if you know nothing about it?" Came the reply: "What's the point of [illegible]"

Financial Times

100 years ago

Trade In Mexico
British trade in Mexico, we are told in a Consular report on the trade of Vera Cruz, suffers from the exercise of too much economy in the employment of agents and travellers, and too little regard being paid to the question of nationality; for our Consul points out that there is no doubt that in commercial competition the question has a greater influence than is generally acknowledged. It appears that British merchants are in the habit of placing their interests in the hands of foreigners to save the expense of educating travellers of their own nationality. Trade secrets may thus be disclosed to competitors in other countries.

50 years ago

Swedish Trade With Japan
Stockholm, 28th April. Many Swedish companies are interested in resuming trade with Japan, and official contacts have been opened with the United States occupation authorities in Tokyo. It is expected that several Swedish representatives will be among the 400 businessmen to be invited by the Americans.